Economic Indicators

Economic Indicators: An Update for the 7 Rivers Region reports on a long-term study of regional economic indicators. The research is ongoing and spans a period of time to enable us to understand and report trends. This project is expected to continuously build on a base of economic information and provide decision makers with valuable tools for strategic planning. The information will also provide a basis for comparison with other regions and a measure of our progress.

State Bank Financial sponsors this research project in collaboration with the University of Wisconsin-La Crosse College of Business Administration and the *La Crosse Tribune*. These programs will continuously build on a base of information and provide decision makers like you with valuable tools for strategic planning.

Specific goals of this project are:

- Support business owners in their business decisions by gathering key local economic indicators and trend information.
- Develop specific economic indicators for this region that are not readily available to decision makers.
- Develop tools to assess our progress in economic growth. Prepare baseline measures that will allow comparison with other regions and measure future progress of the region.
- Track the region's participation in the "new economy" and development in the high tech arena.
- Bring professionals together with business owners for discussion about the local economy and related critical issues.
- Create a business recruitment and retention tool by publishing the information.

Core economic indicators cover the following areas:

- Employment
- Income
- Cost of Living
- Consumer Attitude and Behavior
- Real Estate and Housing
- Interest Rates
- Equity Performance

Economic Indicators and Trends

Taggert J. Brooks, Ph.D., UW-La Crosse Department of Economics

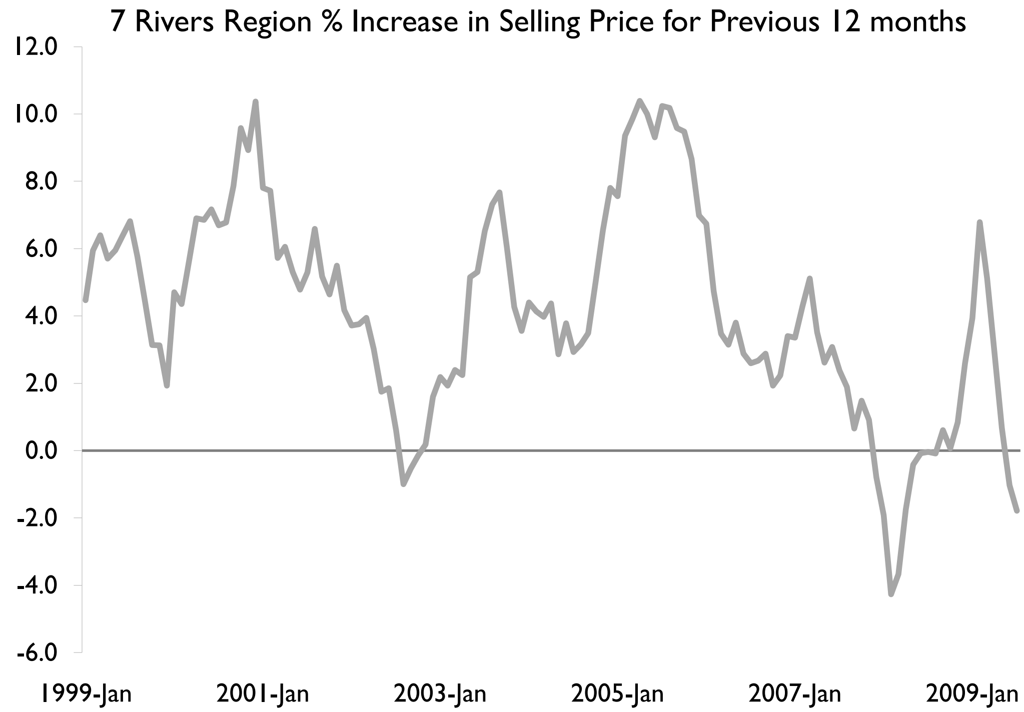
Core economic indicators have been tracked since 2001 to have objective measures for our 7 Rivers Region economy. The special focus of the fall meeting is Tax Policy and Tax Competitiveness. Dr. Brooks begins with some observations on the housing market and moves on to a discussion of recession indicators.

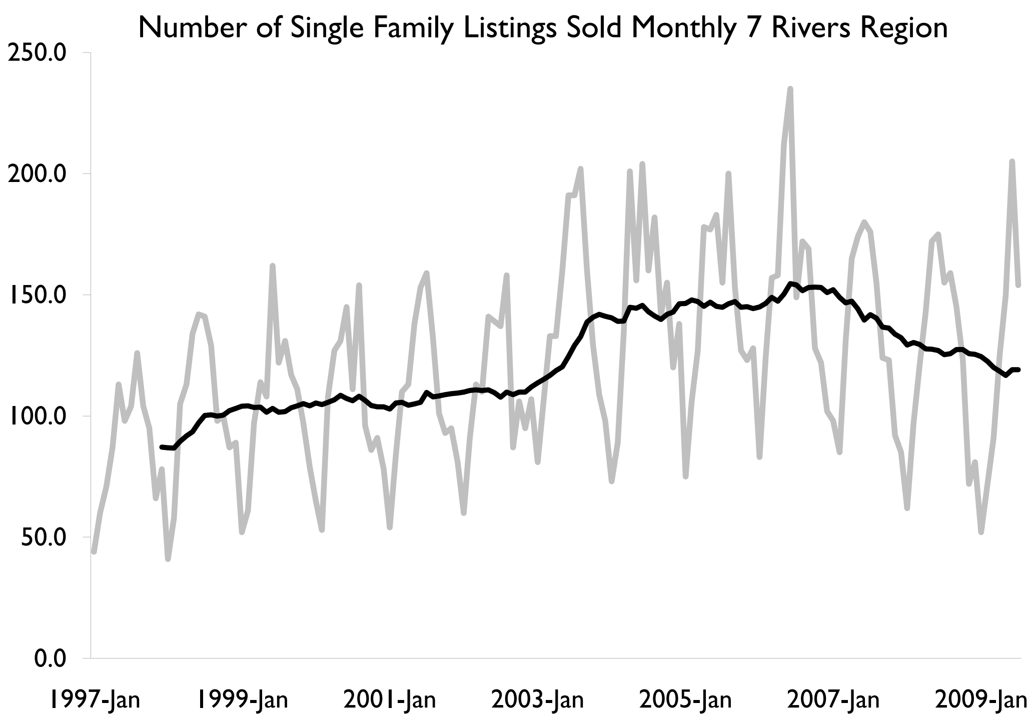
Please note: Dr. Brooks occasionally writes on the 7 Rivers Region Economics blog, which contains ideas and writings that may or may not be included in this publication provided at the Economic Indicators breakfast meetings. Dr. Brooks will use the blog to track different topics and collect ideas. The Web address is: http://sevenriversecon.blogspot.com/

The Local Housing Market

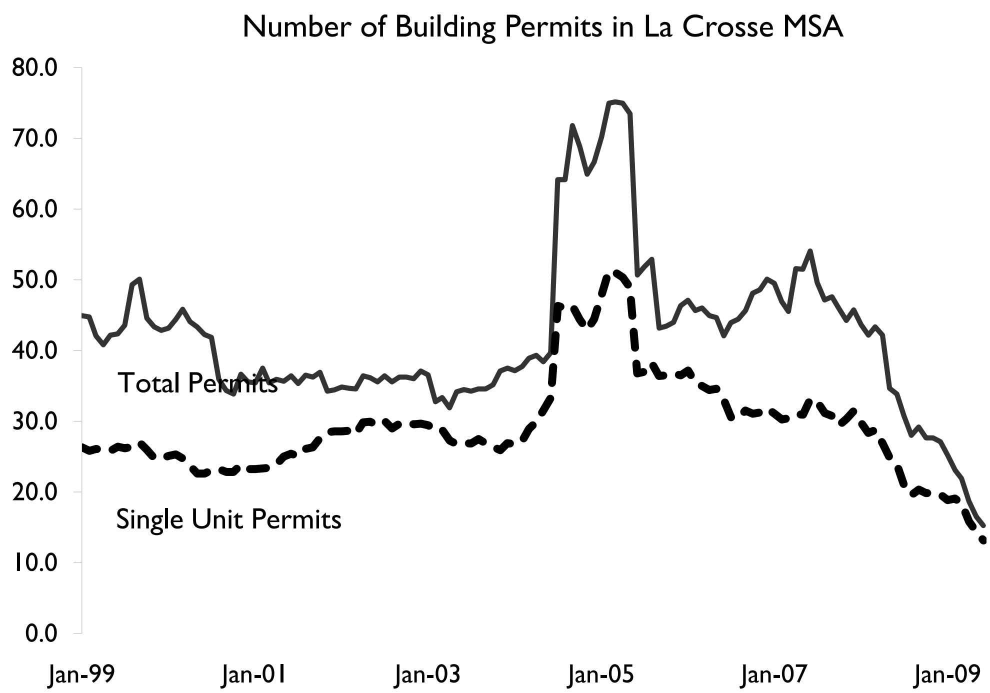
The recession started nationally in response to a contraction in housing prices; it is therefore important to continue to monitor the evolution of prices in the region. Below is a graph of the percentage change in prices over the previous twelve months. The data reflect the selling prices of homes sold through the Multiple Listing Service in the 7 Rivers Region. From the graph you can see this summer again saw a decrease in prices, with July registering a 1.7 percent decline over the previous twelve months. However, nationally the decline was about 17 percent over the same period for the 20 large MSAs included in the Case-Shiller index[1]. It is important to note the two sources of data are not perfectly comparable. The Case-Shiller index uses repeat sales to measure changes in prices, whereas my measure includes all sales. The differences can be important if the types of homes selling change substantially. In that case a repeat sales measure will better capture changes in prices, whereas my measure may merely be capturing the fact that less expensive homes are selling in greater numbers, bringing the average price down. There are some reasons to expect that my measure is biased downward a bit. Notice that the number of listings sold appears to have leveled off and begun to increase. Part of this might be driven by the $8,000 new home buyer tax credit. New home buyers are likely to be buying the least expensive homes on the market, thus helping to bring the average price down.

[1] http://www2.standardandpoors.com/portal/site/sp/en/us/page.topic/indices_csmahp/0,0,0,0,0,0,0,0,0,2,1,0,0,0,0,0.html


7 Rivers Region % Increase in Selling Price for Previous 12 months
12.0
10.0
8.0
6.0
4.0
2.0
0.0
-2.0
-4.0
-6.0
1999-Jan
2001-Jan
2003-Jan
2005-Jan
2007-Jan
2009-Jan

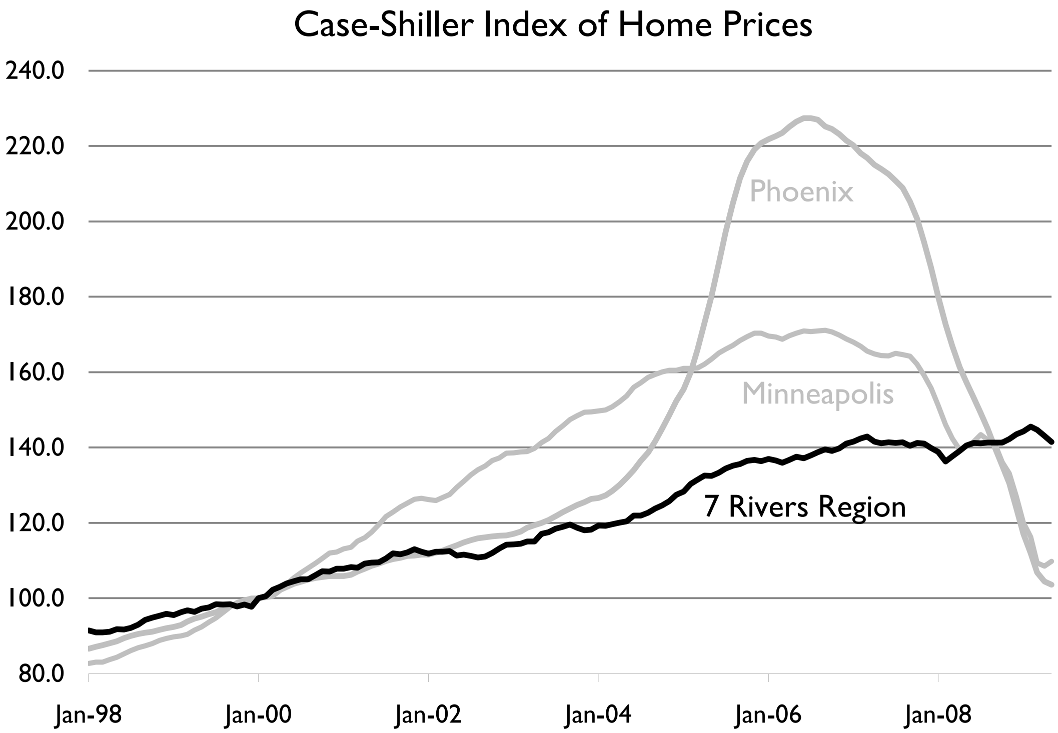

Number of Single Family Listings Sold Monthly 7 Rivers Region
250.0
200.0
150.0
100.0
50.0
0.0
1997-Jan
1999-Jan
2001-Jan
2003-Jan
2005-Jan
2007-Jan
2009-Jan

It is true however that construction has nearly ground to a halt. Below I have the number of building permits issued for the La Crosse MSA (La Crosse and Houston Counties). We can easily see the number of permits has fallen to less than half of the historical averages. It will likely be some time before this sector of the local economy rebounds. We appear to have plenty of existing home inventory that needs to clear before builders feel confident to increase their building activity. Do not expect that to happen for at least a couple of years.

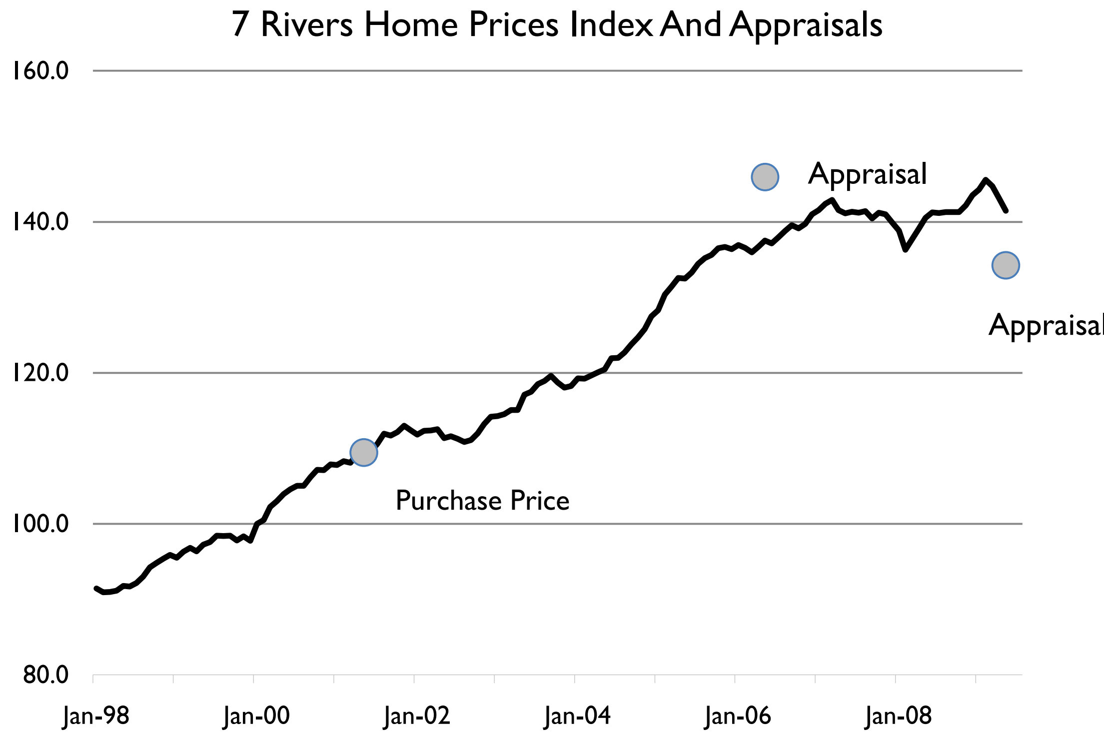


Appraisals

For a while now I've been talking about the relative insulation our region has had from the run up and contraction in home prices. In fact, from the graph below you can see that currently a home purchased for 100,000 in January of 2000 is worth about 140,000 in the 7 Rivers Region, while a house purchased for the same price and same time in Phoenix or Minneapolis would be worth just over 100,000. That means homeowners in Phoenix and Minneapolis have experienced hardly any appreciation in their asset over the 9 year period.

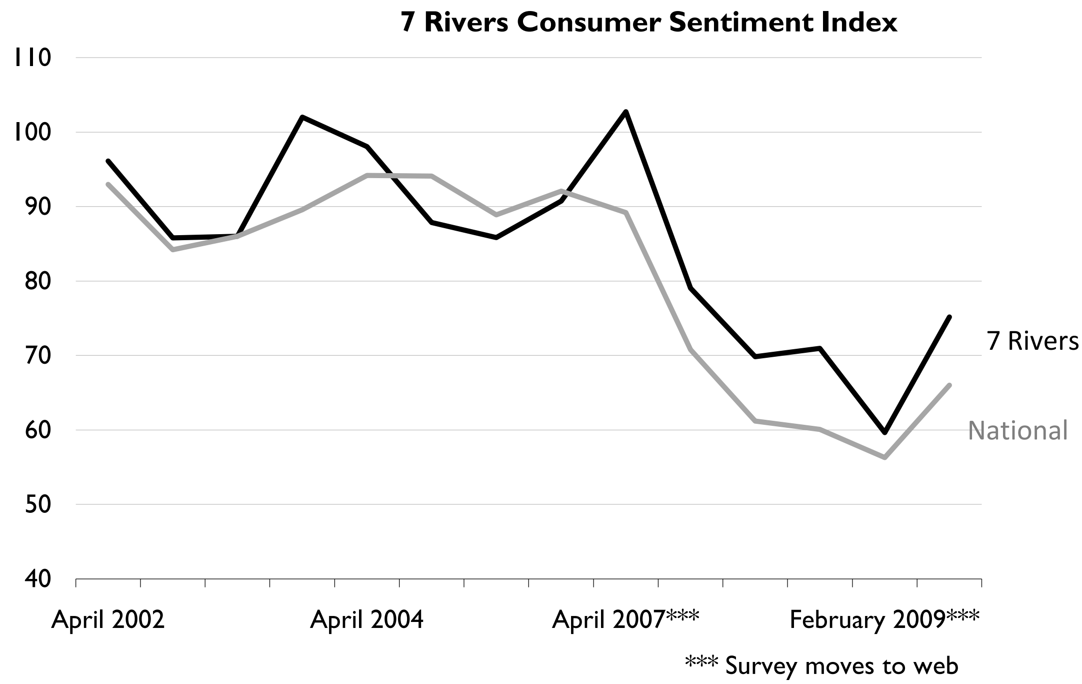


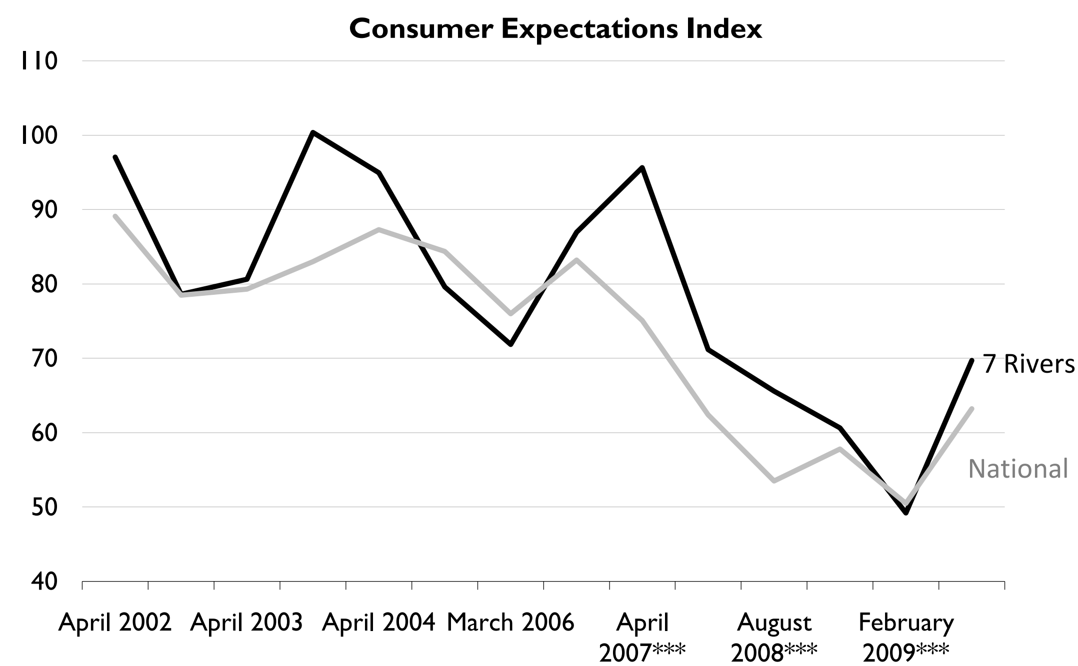
However, sometimes merely looking at data you miss the important issues. Recently I took the opportunity of historically low long term interest rates to refinance my home mortgage. In the graph below I've adjusted the purchase price of my home in May of 2001 to be equal to the average price of a home sold in the Seven Rivers region. Assuming I didn't substantially over or under pay for my house, the appreciation in average home prices should be a good proxy for the appreciation in my home's price. By the time of my first appraisal in May of 2006, my home had risen 33.3 percent according to the appraiser, yet the data I track suggested it should only have risen around 25.7 percent. This reflects in part the vagaries of appraisals using a small number of "comparables," but it also reflects the lax nature of appraisals at the peak of the housing bubble. New regulations in the appraisal business have resulted in appraisals coming in lower than expected. My most recent appraisal in May of 2009 came back 8 percent lower than May of 2006 despite the fact that the average selling price in the 7 Rivers Region had increased by 2.9 percent. The important point I'm trying to make is in the complicated worlds of finance and real estate we can spend too much time focusing on one piece of data, which may or may not represent where the typical consumer gets their information from. So while I've been saying our housing market and home values have done quite well, in practical terms getting equity out of your house is harder than the data I have previously shown would lead you to believe.



Consumer Sentiment

In July I again conducted the consumer sentiment survey using a web based survey. 1,344 people received an invitation to complete the survey. The group represents past participants in 7 Rivers Region economic development events, including the semi-annual Economic Indicators breakfast meetings. The total number of responses was 294 for a response rate of 21.9 percent. Consumer Sentiment for both the region and the nation increased with most of the increase coming from the subset of questions that measure expectations. The regional consumer sentiment index rose from 59.7 in February to 75.2 in July, while the national index rose from 56.3 in February to 66 in July.

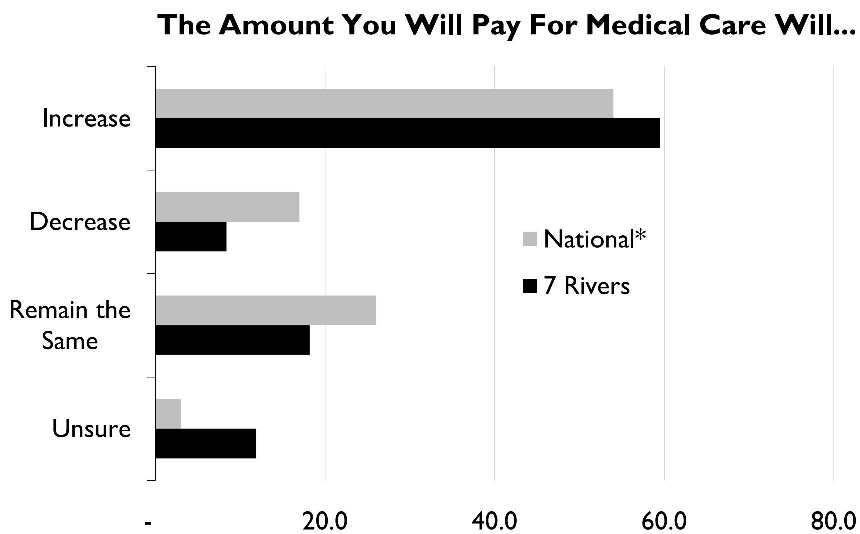

7 Rivers Consumer Sentiment Index
110
100
90
80
70
60
50
40
April 2002
April 2004
April 2007***
February 2009***
*** Survey moves to web
7 Rivers
National


Consumer Expectations Index
110
100
90
80
70
60
50
40
April 2002
April 2003
April 2004
March 2006
April 2007***
August 2008***
February 2009***
7 Rivers
National

Health Care Reform Questions

In addition to the traditional consumer sentiment questions, I augmented the survey with questions on some of the current health care reform proposals being discussed in congress. The first question comes from a survey by CNN/Opinion Research Corporation poll[2].

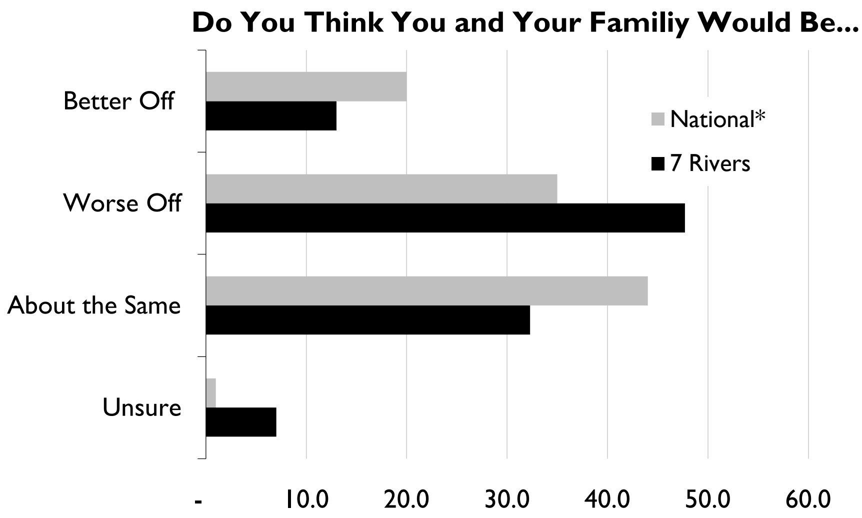
"From what you know of the health care reforms that the Administration is working on, do you think the amount you pay for medical care would increase, decrease, or remain the same?



*Source: htttp://www.pollingreport.com/health.htm

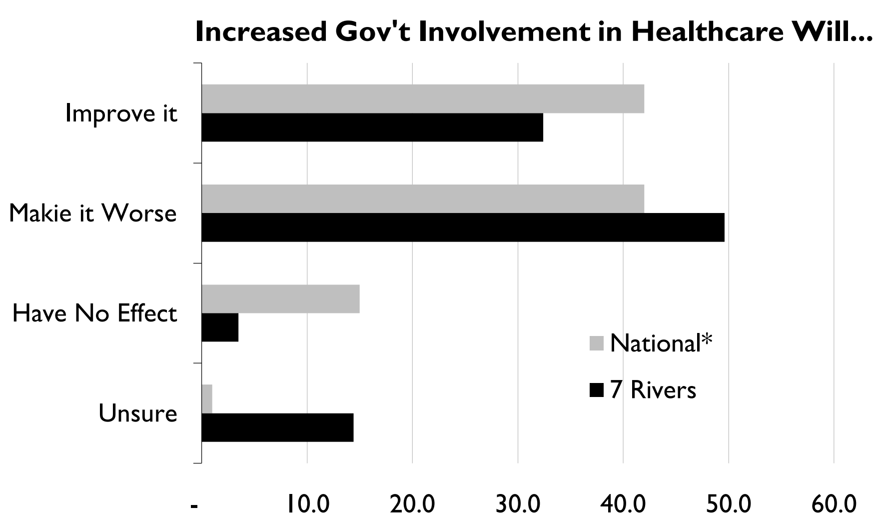
We can see that local opinion more skeptical than the national opinion that reforms will lower the amount we will pay for medical costs. Turning to the next questions, I asked: "From what you know of those health care reforms, do you think you and your family would, in general, be better off, worse off or about the same?"

[2] http://www.pollingreport.com/health.htm



*Source: htttp://www.pollingreport.com/health.htm

Again, opinion tended to be much more skeptical than national opinion on whether reforms would make our families better off. Finally I asked: "Do you think increased involvement by the federal government in the country's health care system will improve the current system, make it worse, or have no effect?"



*Source: htttp://www.pollingreport.com/health.htm

Almost half of local respondents felt it would make it worse.

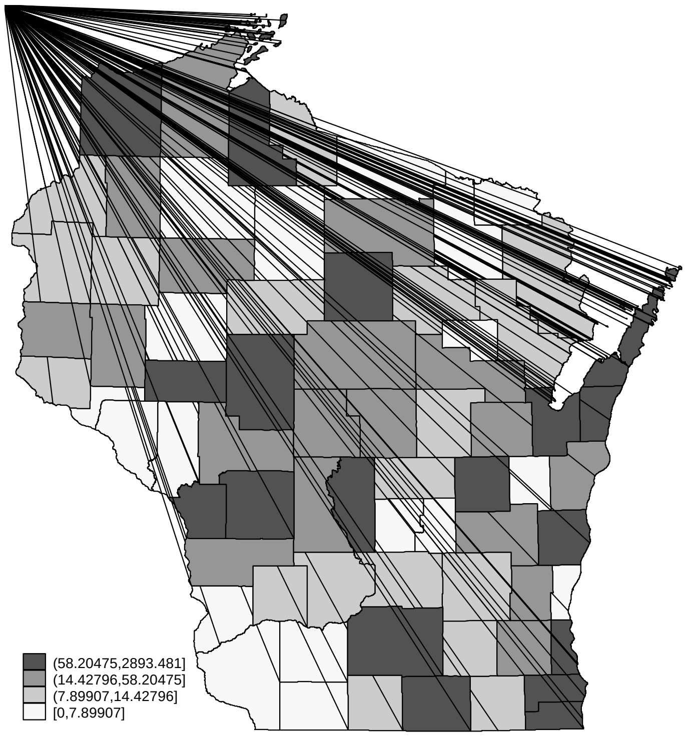
American Recovery and Reinvestment Act (aka the Stimulus)

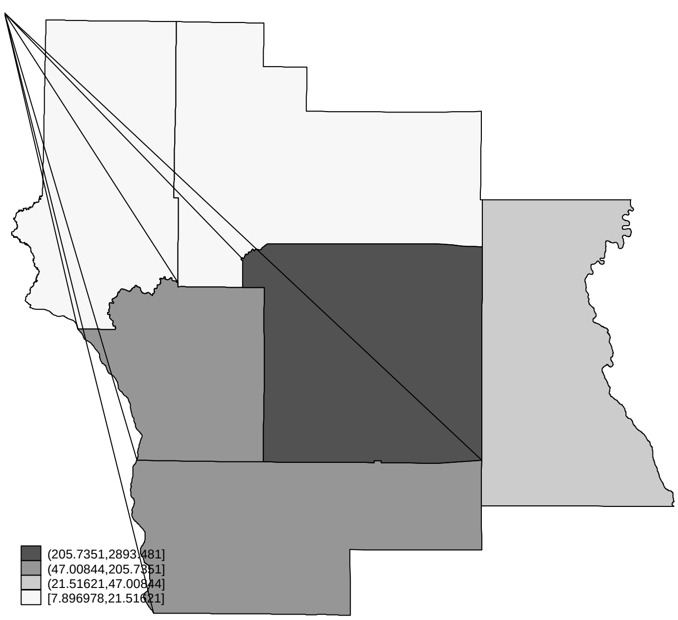
In this venue I won't weigh on whether the stimulus spending was a good or bad idea, or whether the types of things we spent money on where good or bad ideas. However, I do want to give you an idea of the spatial dispersion of the spending. Below I have a series of choropleths that help to visualize the spending. Briefly, I've taken the spending by county and divided by the number of houses in the county for the first series of maps and the county's population for the second series of graphs. Note that the darker shaded counties represent a higher spending per capita or per household. Also note that the classification changes between graphs, so that shading might change from one map to the next. The data comes from the Office of Recovery and Reinvestment web site for the state of Wisconsin[3].

In terms of per capita stimulus, Monroe County received the most with about 1,334 per person being spent in the county. Whereas counties like Menominee and Marquette received nothing. On a per household basis Monroe County received nearly $3,000 of stimulus spending. The next nearest county was Douglas County with $418 in spending per household.

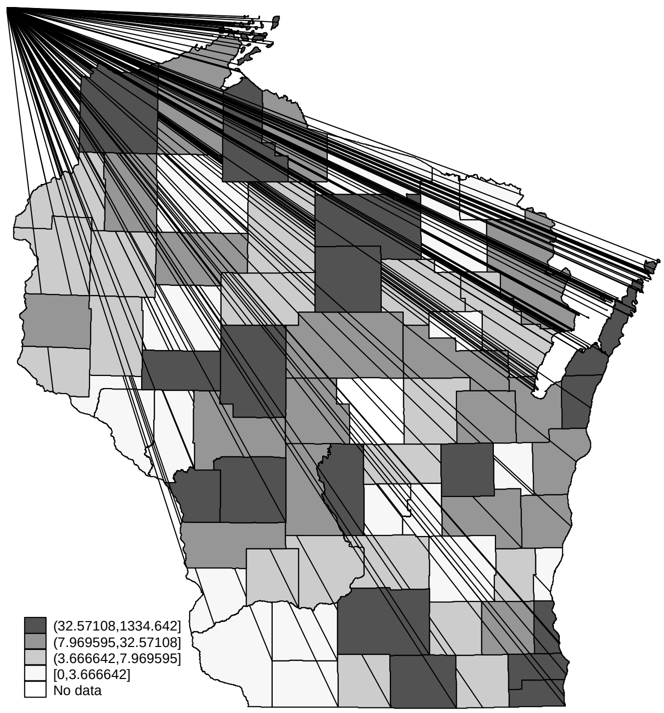
[3] http://www.recovery.wisconsin.gov/

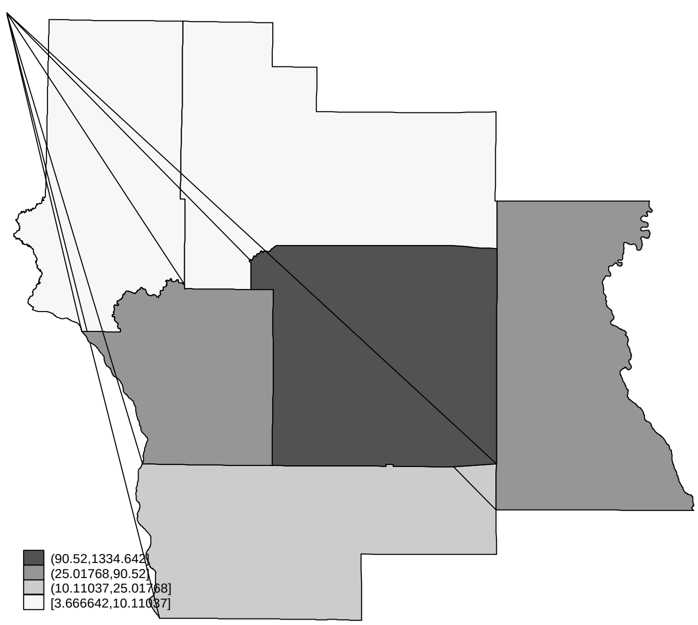
Dollars of Per Household Stimulus Spending by County





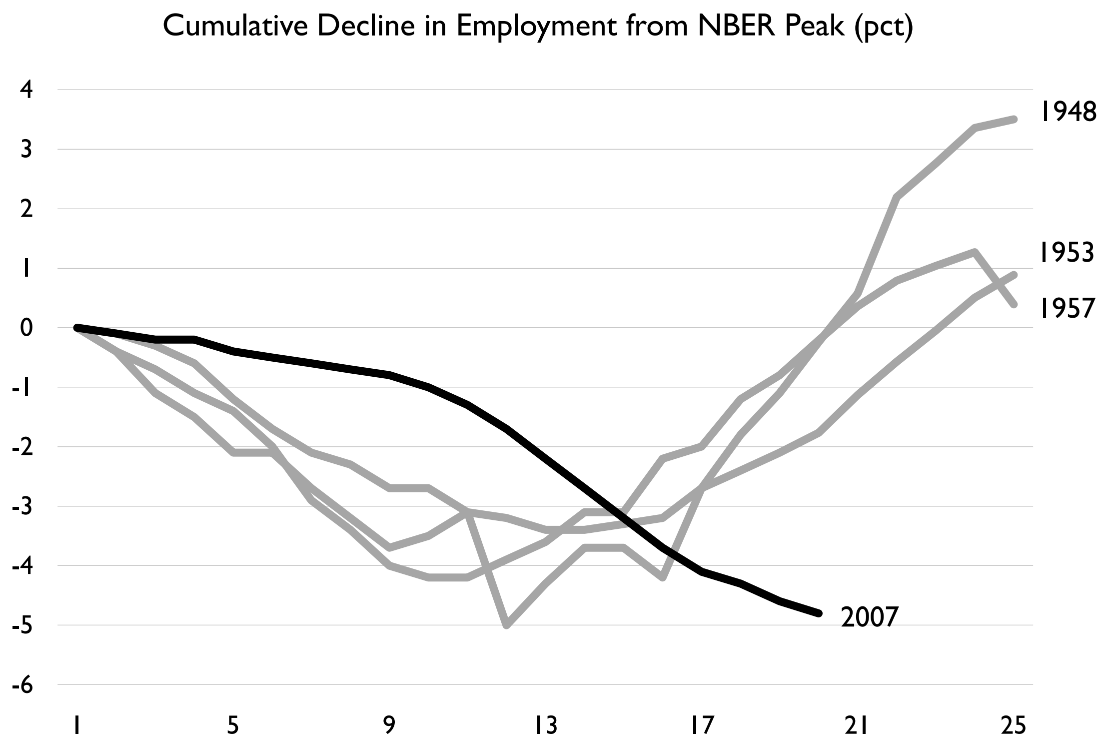
Dollars of Per Capita Stimulus Spending by County

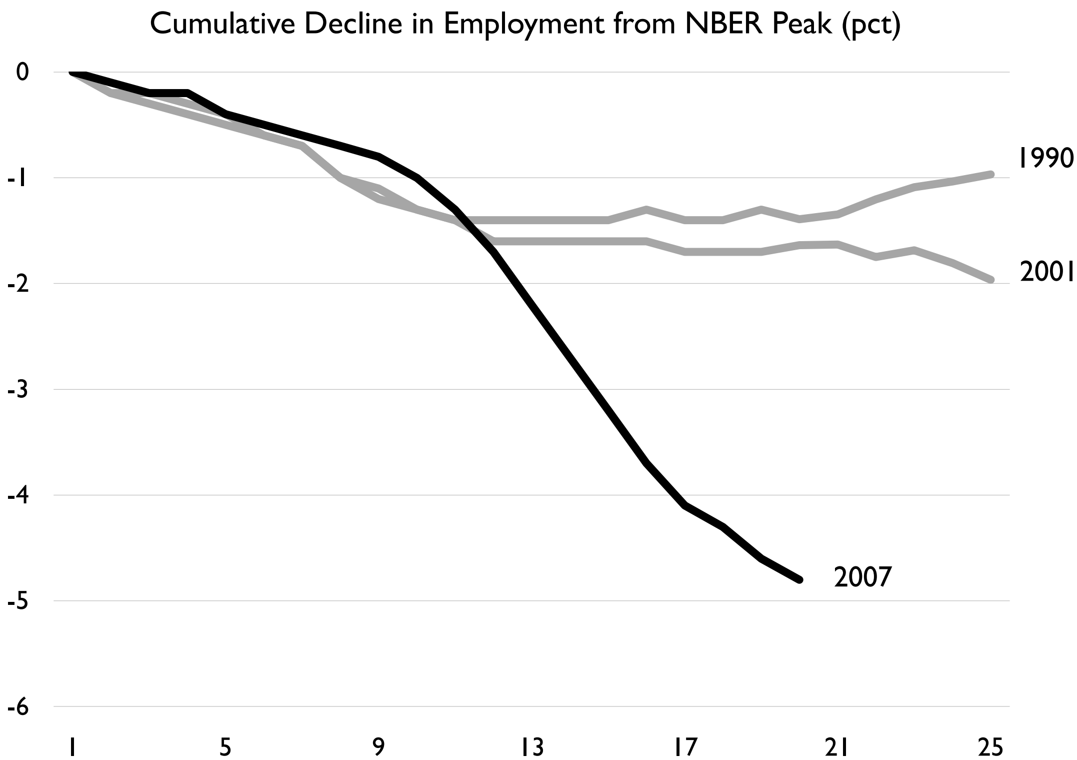




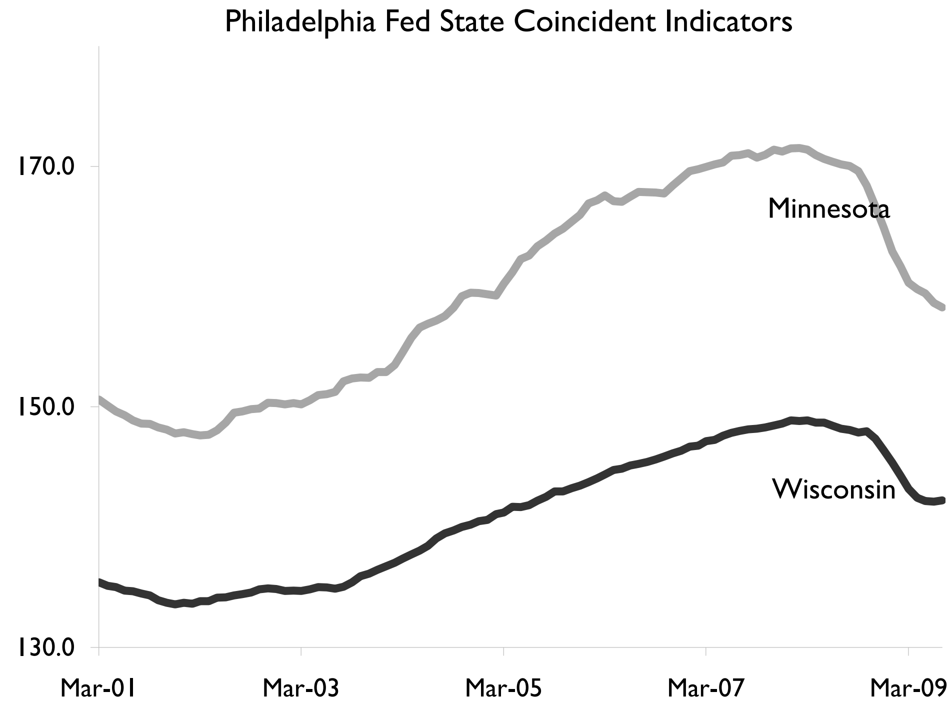
The Recession: An Update on Employment

Recently the talk has turned from how deep this recession will be to how quick the recovery will be. Below I've updated two graphs I've produced previously that depict the decline in employment in this recession relative to previous recessions. As I've said before, the nature of modern recessions is for employment to recover very slowly, as modern recessions involve more restructuring rather than the layoff – then call back - model of recessions. However, the last two recessions were also shallower in terms of employment loss. It seems the current recession is the worst of both worlds, experiencing a maximum cumulative employment loss on par with the 1948 recession, yet with a much longer duration than the 1948 recession.

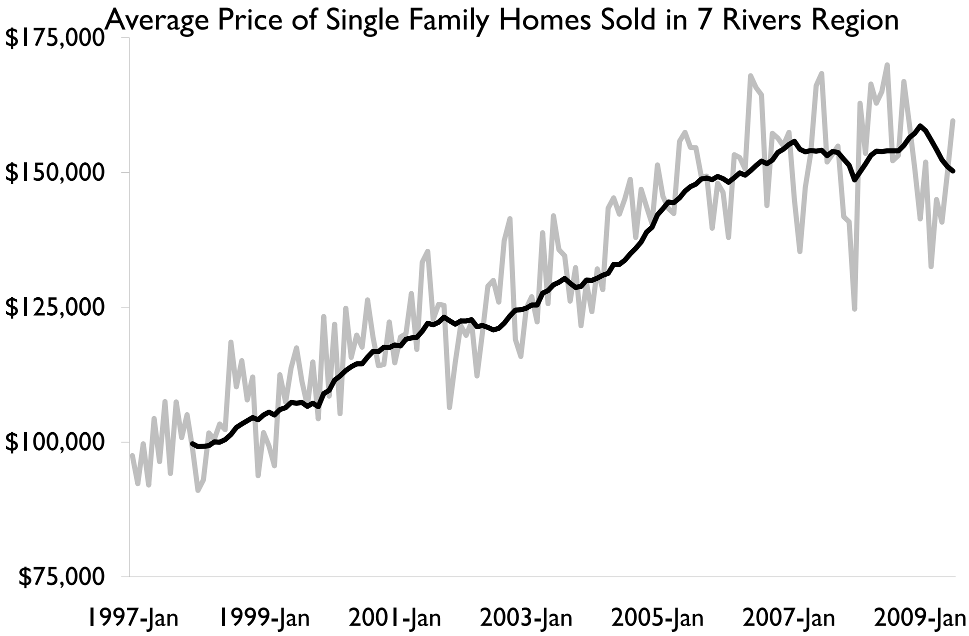


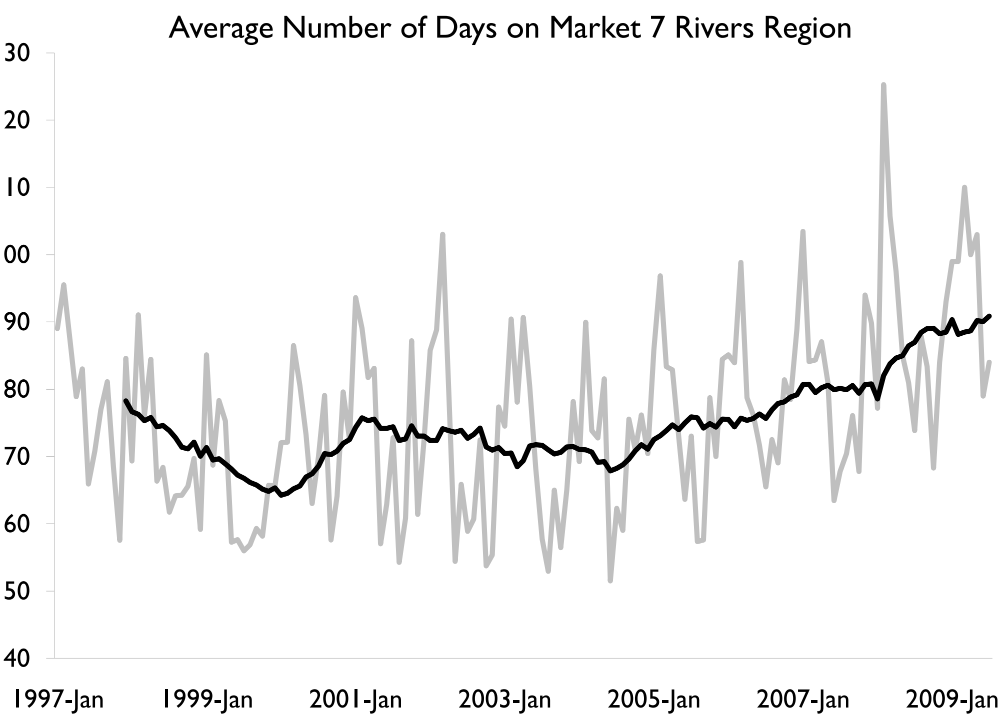


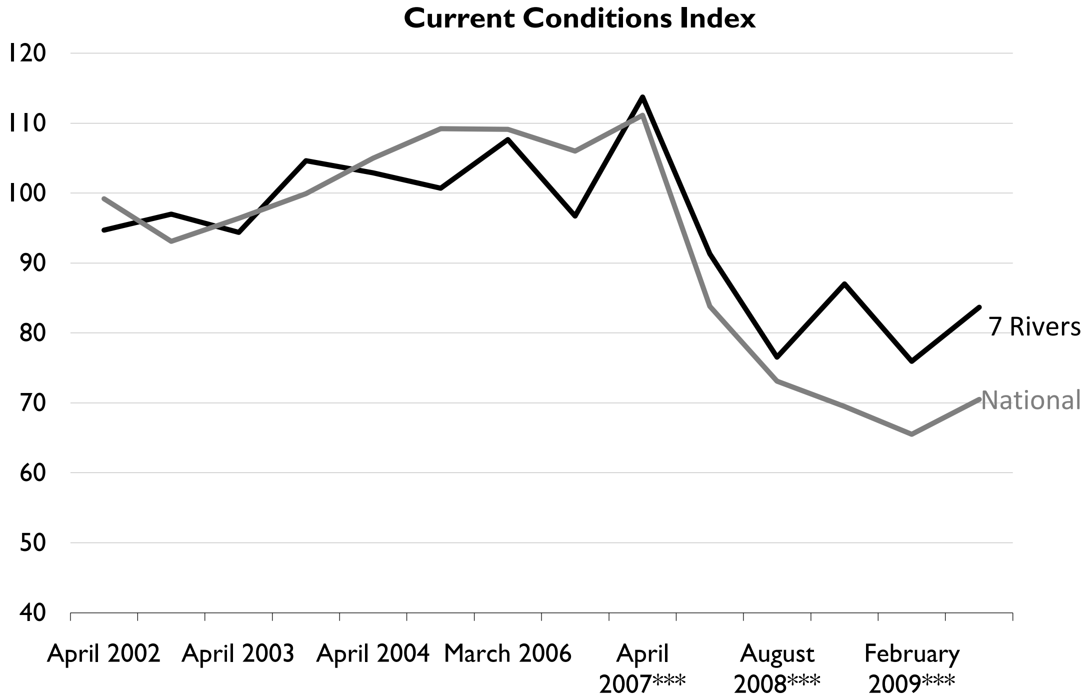
Finally, the Philadelphia Fed produces a state-by-state series of indices that purports to be a coincident indicator, telling us where we are in the recession. There are tentative signs that the decline in the coincident indicators has abated for the state of Wisconsin. This suggests a bottom to the recession and a recovery around the corner. The coincident indicators are comprised of four state-level indicators to summarize current economic conditions in a single statistic. The four state-level variables in each coincident index are nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (U.S. city average).

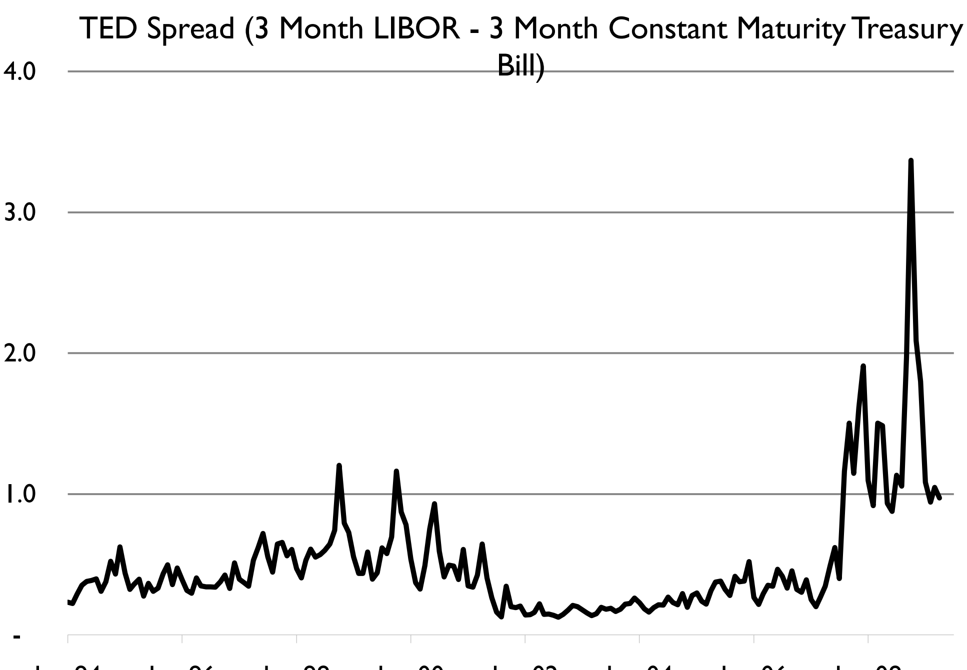

Philadelphia Fed State Coincident Indicators
170.0
150.0
130.0
Minnesota
Wisconsin
Mar-01
Mar-03
Mar-05
Mar-07
Mar-09

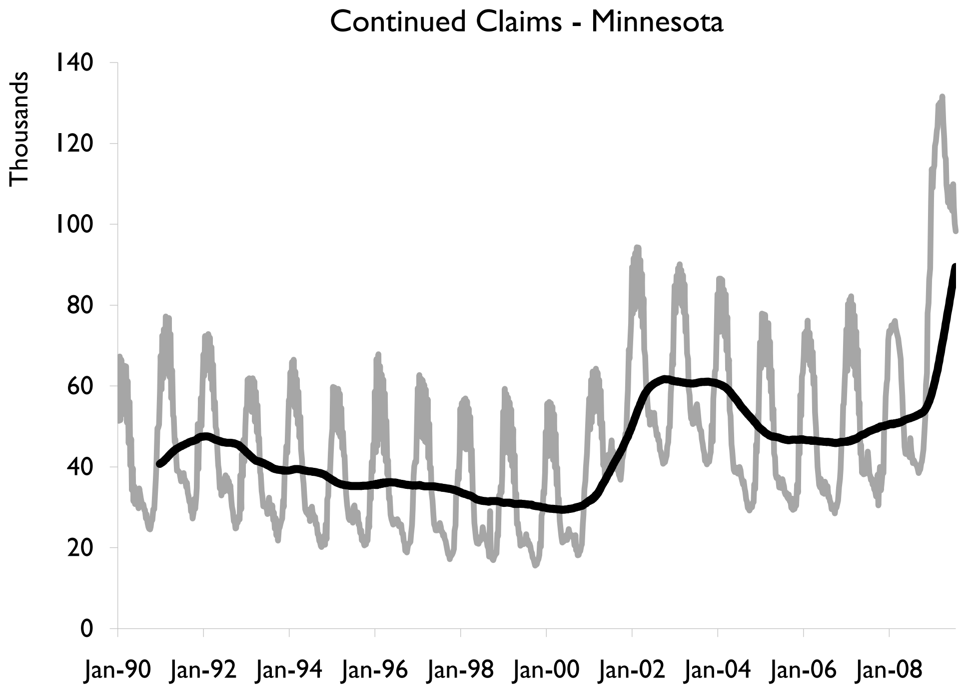
Appendix

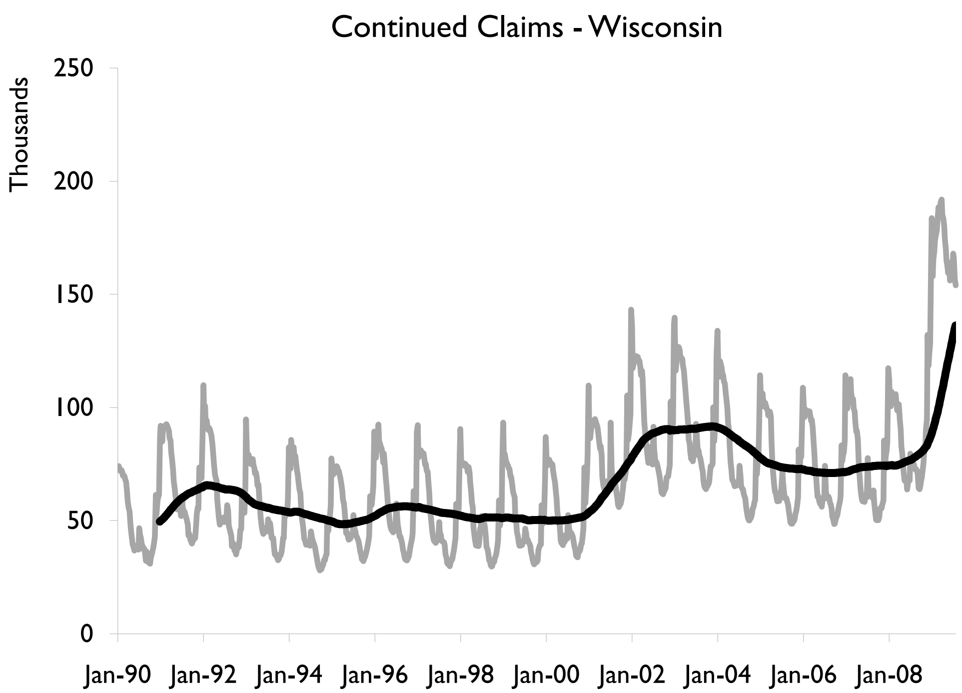

Average Price of Single Family Homes Sold in 7 Rivers Region
$175,000
$150,000
$125,000
$100,000
$75,000
1997-Jan
1999-Jan
2001-Jan
2003-Jan
2005-Jan
2007-Jan
2009-Jan

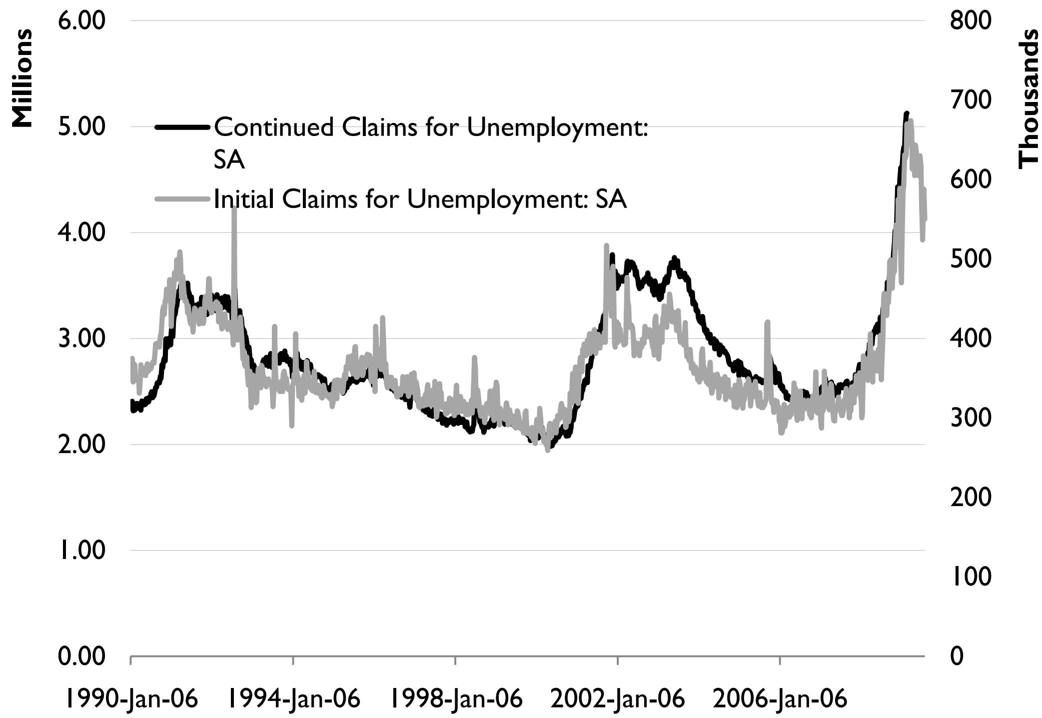

Average Number of Days on Market 7 Rivers Region
130
120
110
100
90
80
70
60
50
40
1997-Jan
1999-Jan
2001-Jan
2003-Jan
2005-Jan
2007-Jan
2009-Jan

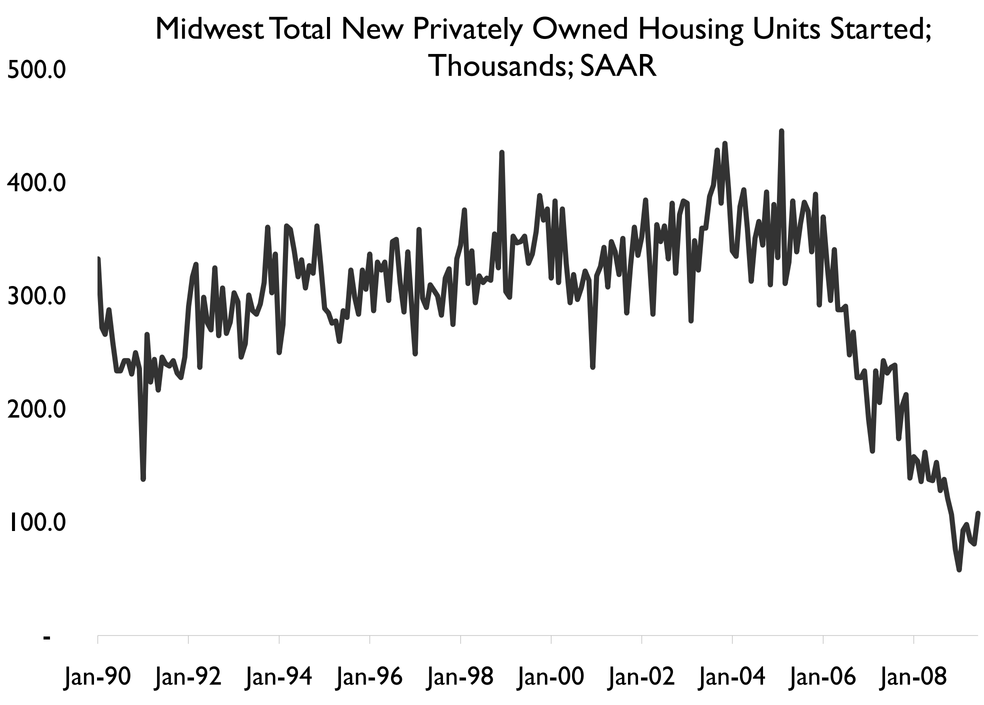

Current Conditions Index
120
110
100
90
80
70
60
50
40
7 Rivers
National
April 2002
April 2003
April 2004
March 2006
April 2007***
August 2008***
February 2009***

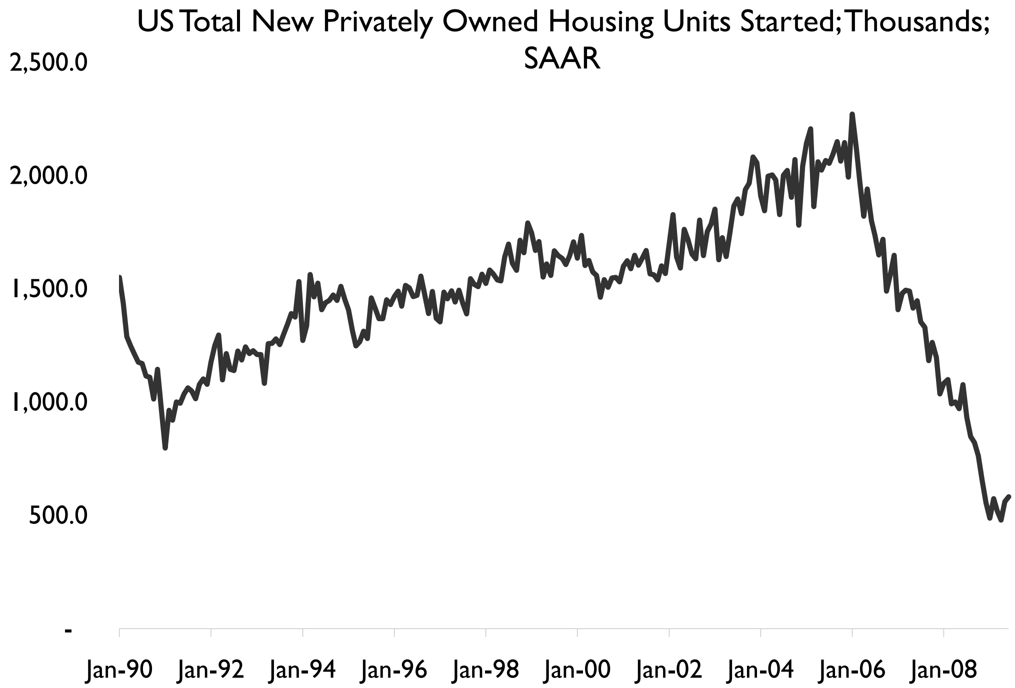

TED Spread (3 Month LIBOR - 3 Month Constant Maturity Treasury Bill)
4.0
3.0
2.0
1.0
-
Jan-94
Jan-96
Jan-98
Jan-00
Jan-02
Jan-04
Jan-06
Jan-08

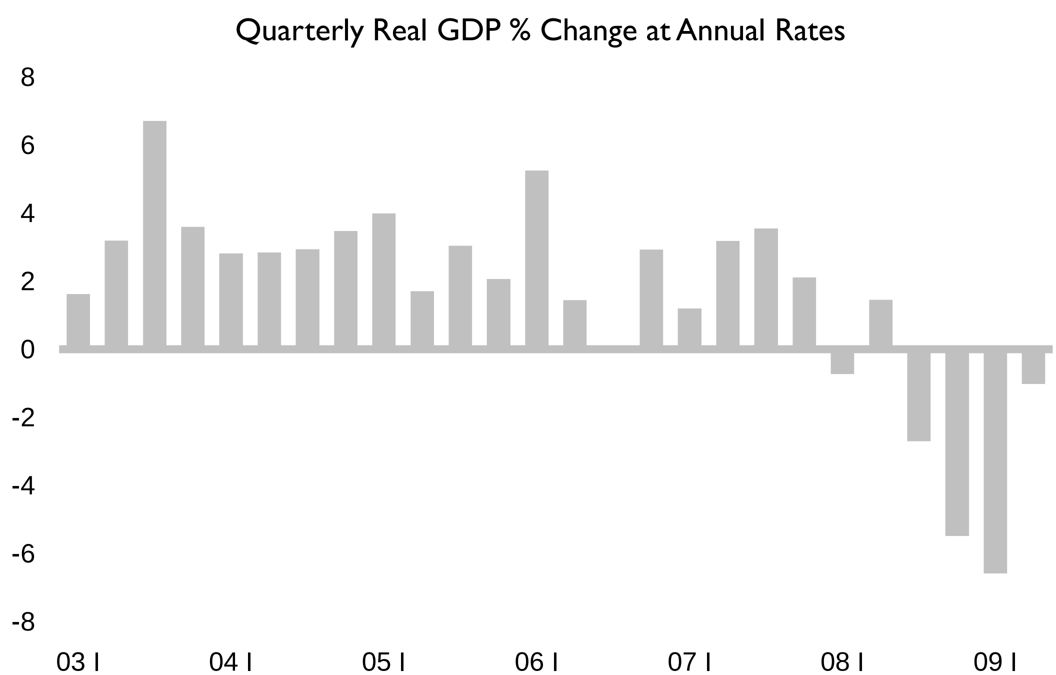

Continued Claims - Minnesota
Thousands
140
120
100
80
60
40
20
0
Jan-90
Jan-92
Jan-94
Jan-96
Jan-98
Jan-00
Jan-02
Jan-04
Jan-06
Jan-08

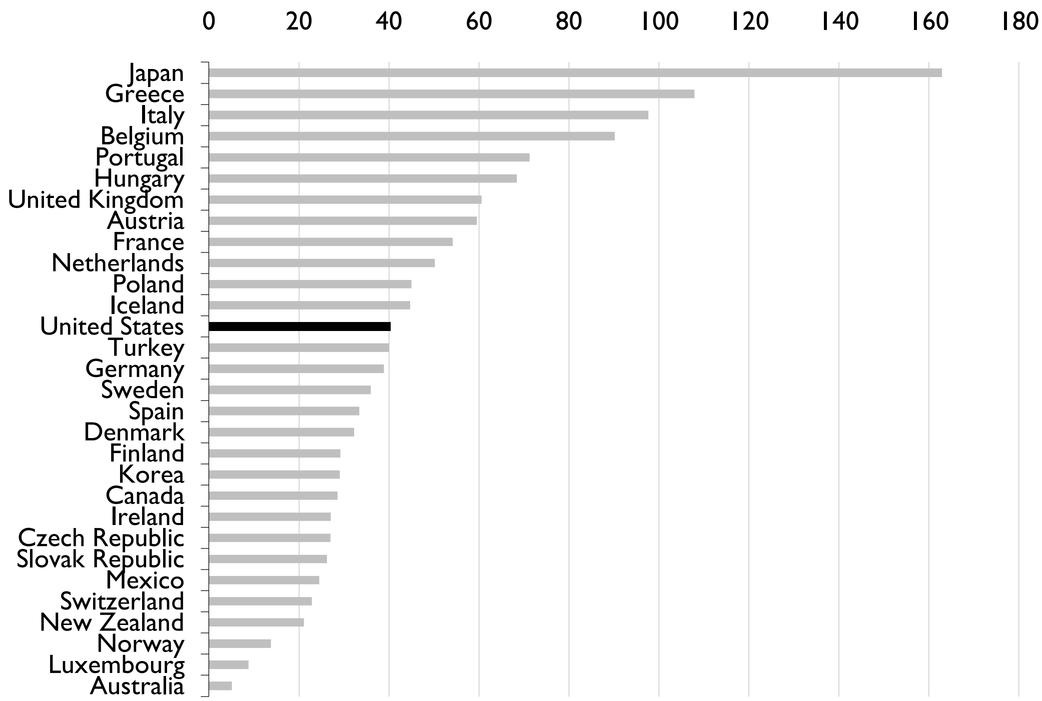

Continued Claims - Wisconsin
Thousands
250
200
150
100
50
0
Jan-90
Jan-92
Jan-94
Jan-96
Jan-98
Jan-00
Jan-02
Jan-04
Jan-06
Jan-08


Millions
Thousands
6.00
5.00
4.00
3.00
2.00
1.00
0.00
800
700
600
500
400
300
200
100
0
Continued Claims for Unemployment: SA
Initial Claims for Unemployment: SA
1990-Jan-06
1994-Jan-06
1998-Jan-06
2002-Jan-06
2006-Jan-06

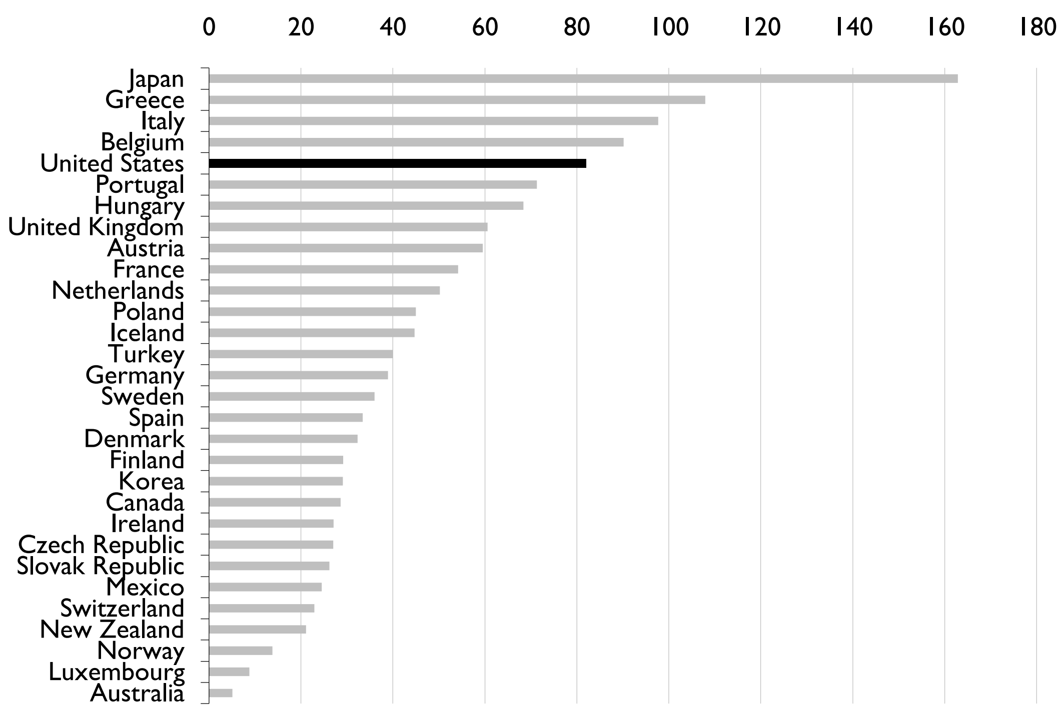

Midwest Total New Privately Owned Housing Units Started; Thousands; SAAR
500.0
400.0
300.0
200.0
100.0
-
Jan-90
Jan-92
Jan-94
Jan-96
Jan-98
Jan-00
Jan-02
Jan-04
Jan-06
Jan-08


US Total New Privately Owned Housing Units Started; Thousands; SAAR
2,500.0
2,000.0
1,500.0
1,000.0
500.0
-
Jan-90
Jan-92
Jan-94
Jan-96
Jan-98
Jan-00
Jan-02
Jan-04
Jan-06
Jan-08

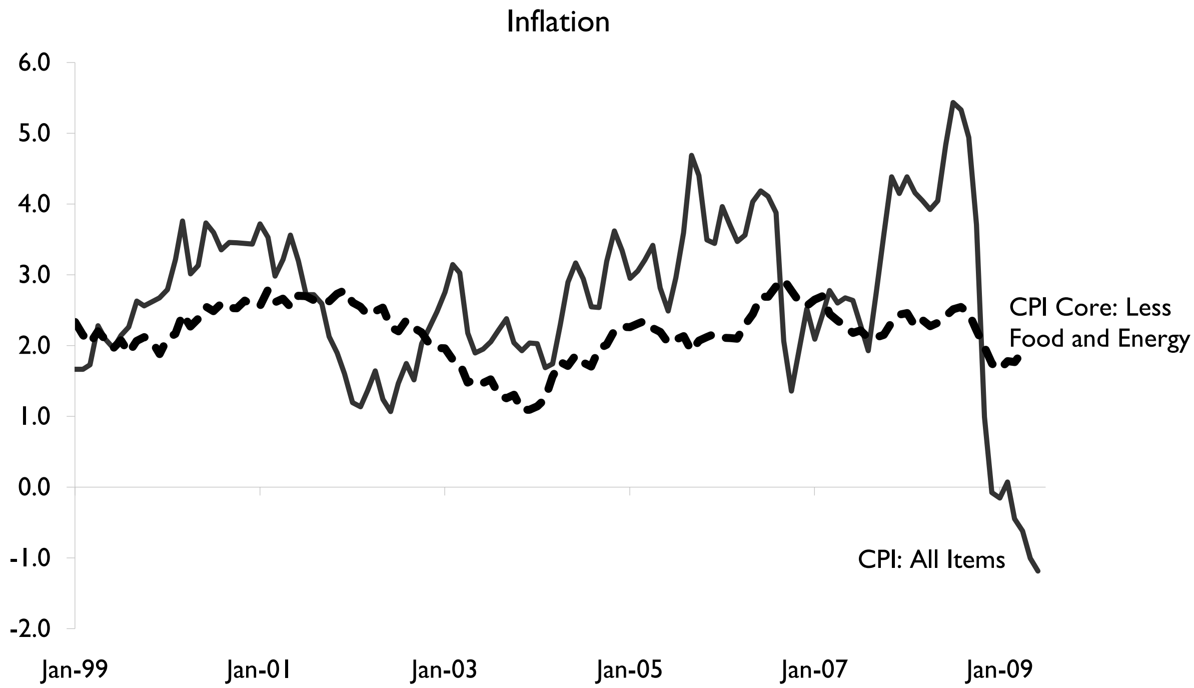

Quarterly Real GDP % Change at Annual Rates
8
6
4
2
0
-2
-4
-6
-8
03 I
04 I
05 I
06 I
07 I
08 I
09 I

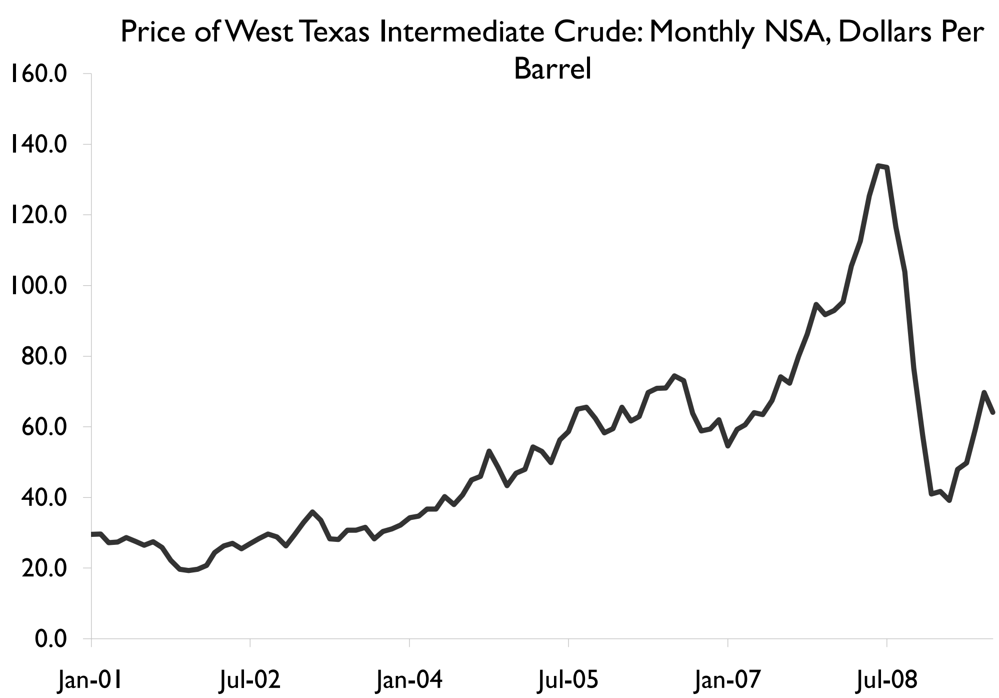


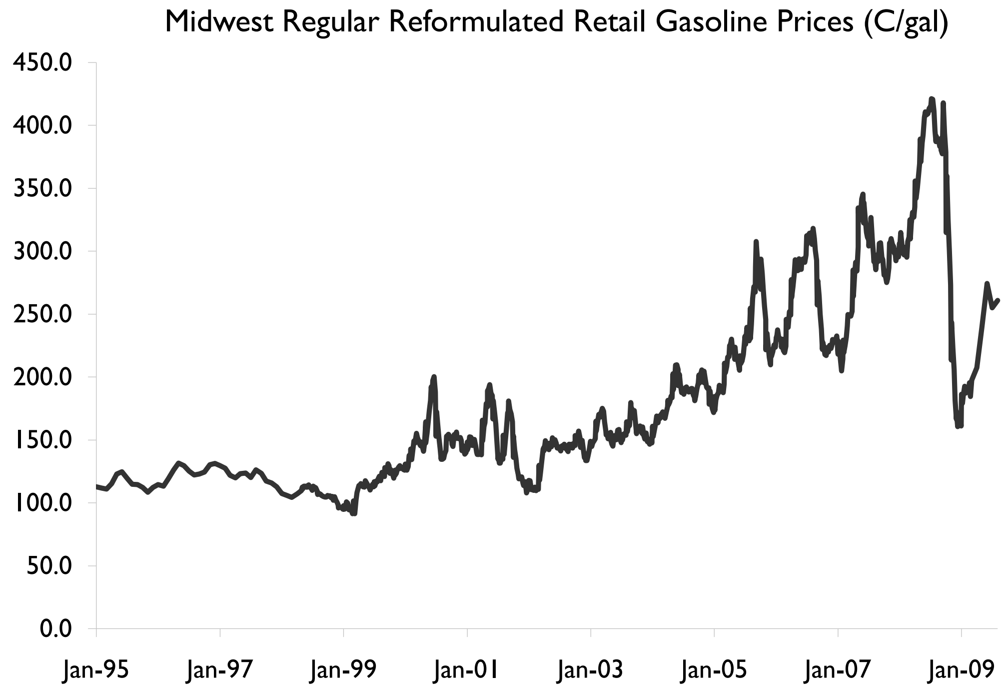
2008 Debt to GDP Ratio

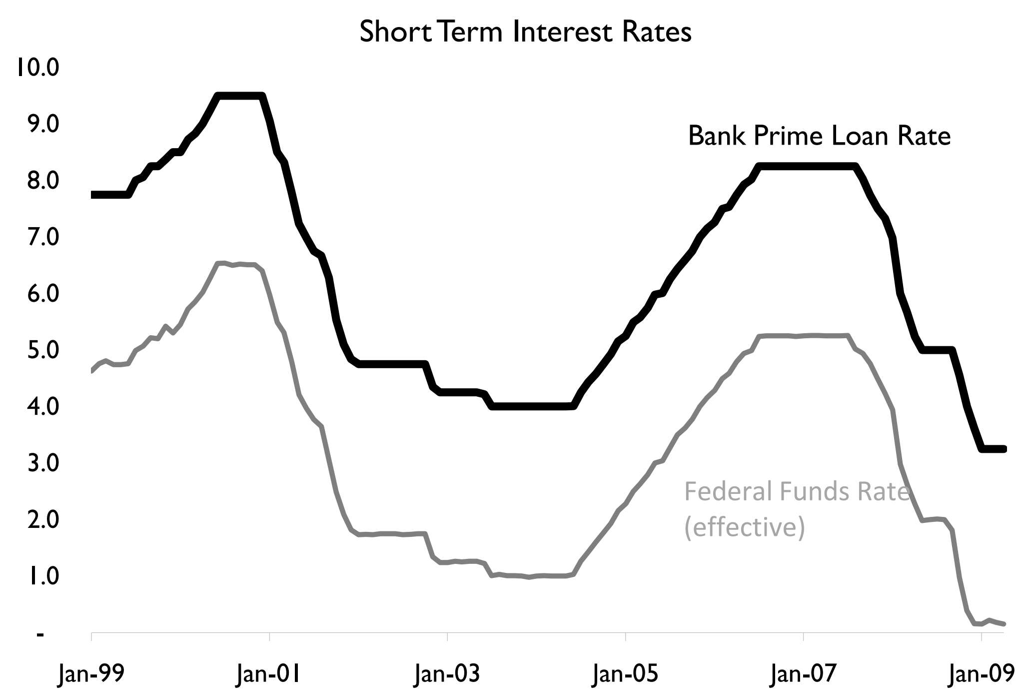


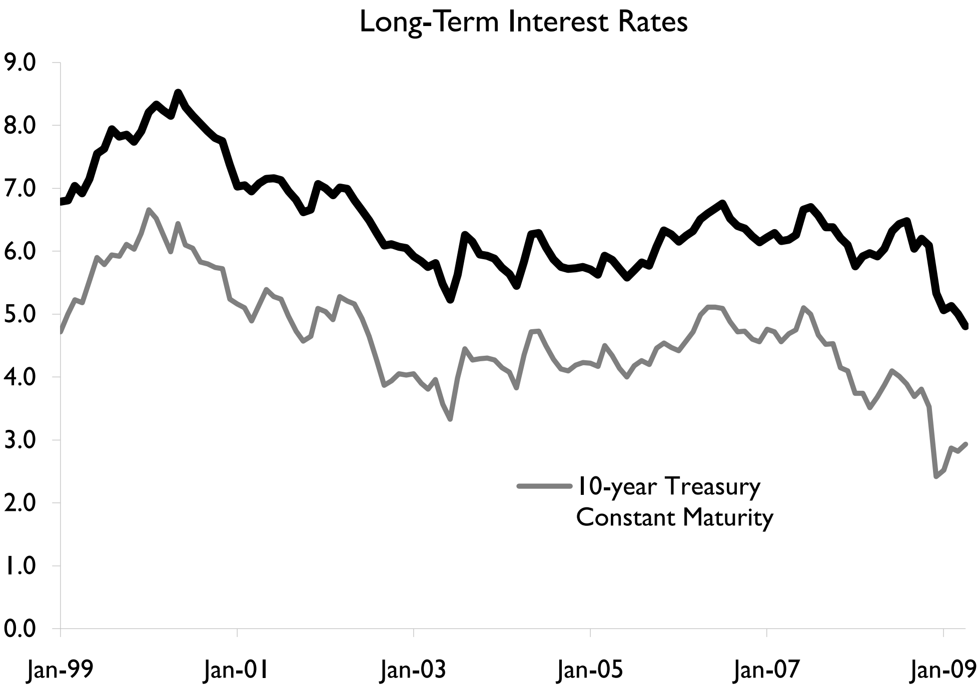
Worst Case Future Debt to GDP Ratio

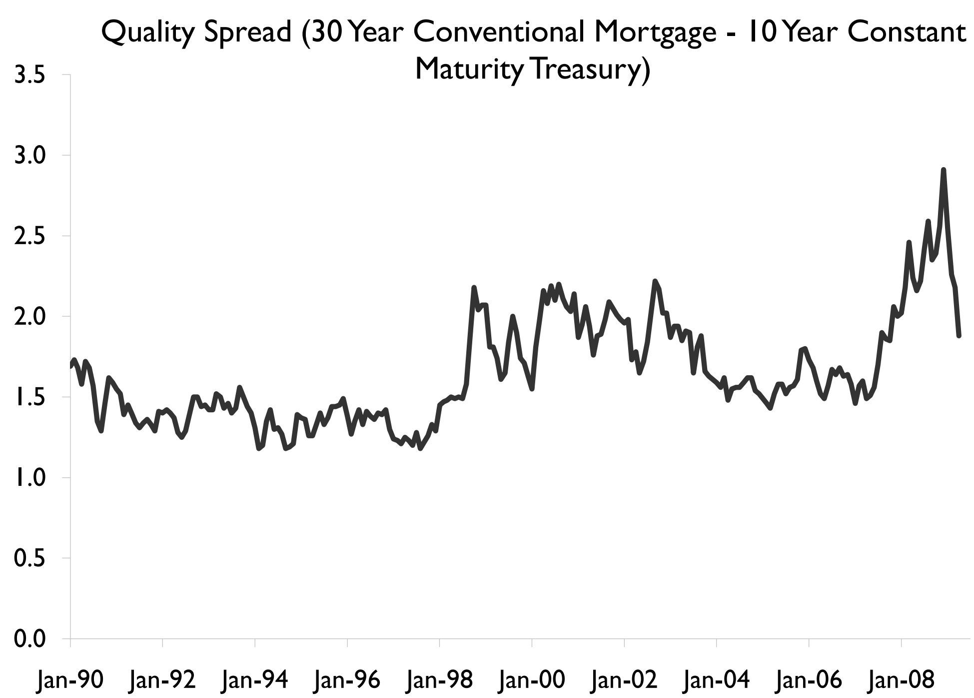

Inflation
6.0
5.0
4.0
3.0
2.0
1.0
0.0
-1.0
-2.0
Jan-99
Jan-01
Jan-03
Jan-05
Jan-07
Jan-09
CPI Core: Less Food and Energy
CPI: All Items

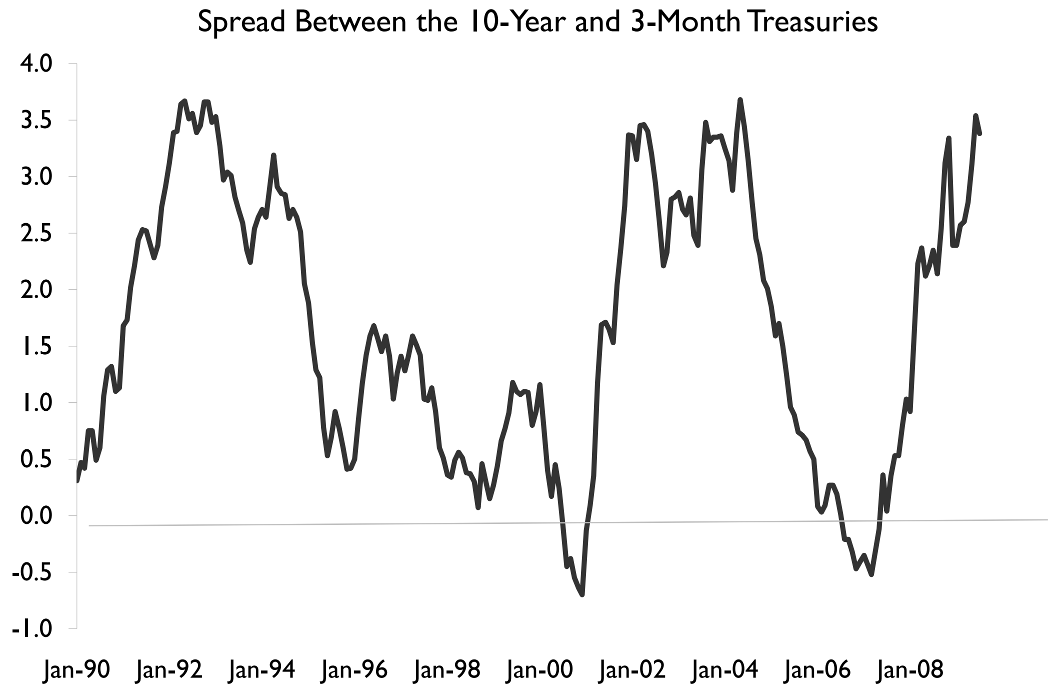

Price of West Texas Intermediate Crude: Monthly NSA, Dollars Per Barrel
160.0
140.0
120.0
100.0
80.0
60.0
40.0
20.0
0.0
Jan-01
Jul-02
Jan-04
Jul-05
Jan-07
Jul-08

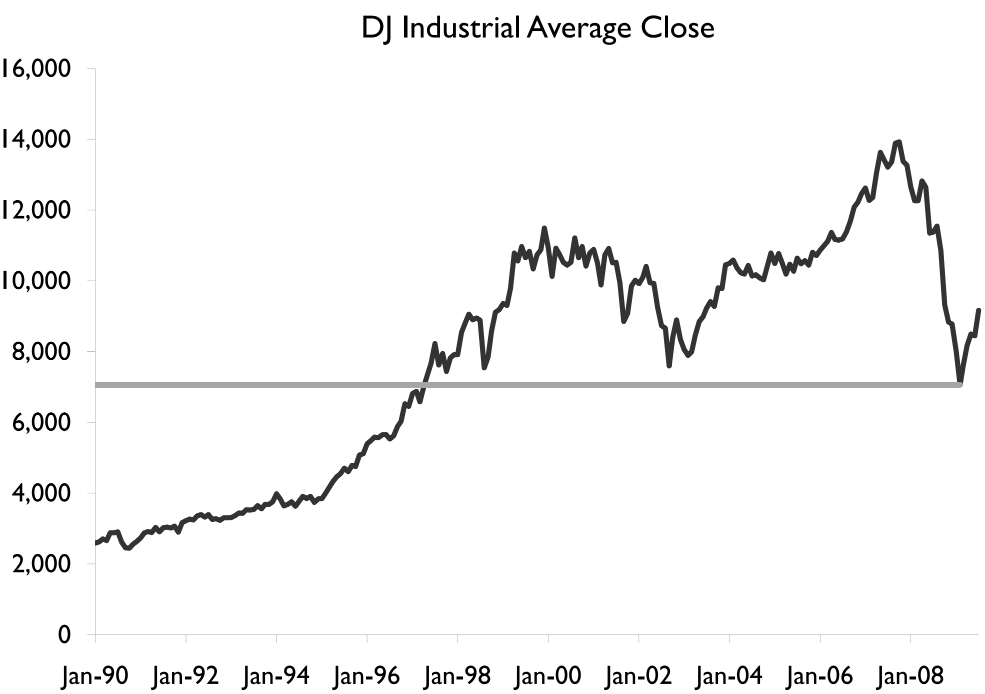

Midwest Regular Reformulated Retail Gasoline Prices (C/gal)
450.0
400.0
350.0
300.0
250.0
200.0
150.0
100.0
50.0
0.0
Jan-95
Jan-97
Jan-99
Jan-01
Jan-03
Jan-05
Jan-07
Jan-09


Short Term Interest Rates
10.0
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
-
Bank Prime Loan Rate
Federal Funds Rate
(effective)
Jan-99
Jan-01
Jan-03
Jan-05
Jan-07
Jan-09

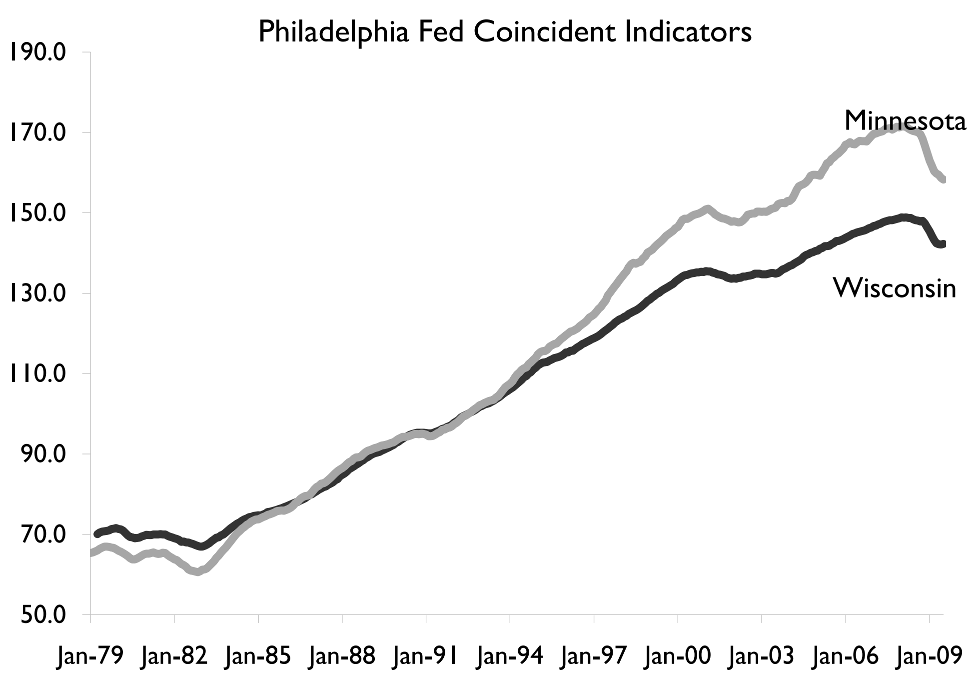

Long-Term Interest Rates
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
10-year Treasury Constant Maturity
Jan-99
Jan-01
Jan-03
Jan-05
Jan-07
Jan-09

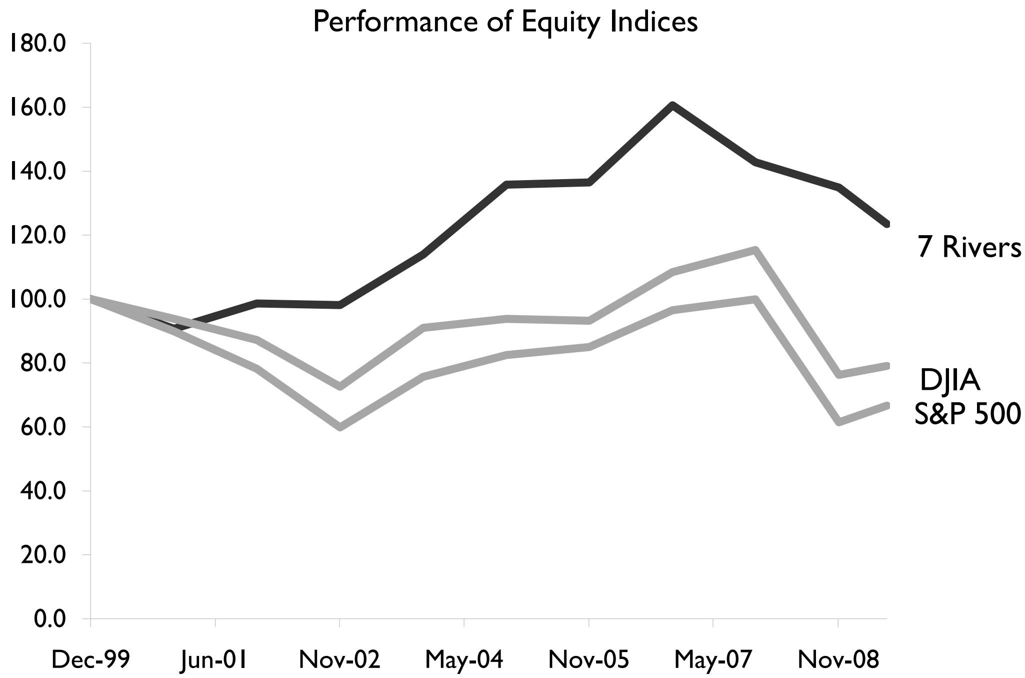

Quality Spread (30 Year Conventional Mortgage - 10 Year Constant Maturity Treasury)
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
Jan-90
Jan-92
Jan-94
Jan-96
Jan-98
Jan-00
Jan-02
Jan-04
Jan-06
Jan-08


Spread Between the 10-Year and 3-Month Treasuries
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
-0.5
-1.0
Jan-90
Jan-92
Jan-94
Jan-96
Jan-98
Jan-00
Jan-02
Jan-04
Jan-06
Jan-08


DJ Industrial Average Close
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
Jan-90
Jan-92
Jan-94
Jan-96
Jan-98
Jan-00
Jan-02
Jan-04
Jan-06
Jan-08


S&P 500 Monthly Close
1,600
1,500
1,400
1,300
1,200
1,100
1,000
900
800
700
600
Jan-99
Jan-01
Jan-03
Jan-05
Jan-07
Jan-09


Philadelphia Fed Coincident Indicators
190.0
170.0
150.0
130.0
110.0
90.0
70.0
50.0
Minnesota
Wisconsin
Jan-79
Jan-82
Jan-85
Jan-88
Jan-91
Jan-94
Jan-97
Jan-00
Jan-03
Jan-06
Jan-09


Performance of Equity Indices
180.0
160.0
140.0
120.0
100.0
80.0
60.0
40.0
20.0
0.0
Dec-99
Jun-01
Nov-02
May-04
Nov-05
May-07
Nov-08
7 Rivers
DJIA
S&P 500

The 7 Rivers Equity Index: Does the "Spin Stop Here"?

Thomas M. Krueger, D.B.A., Professor of Finance, UW-La Crosse Department of Finance

I. Introduction

"Spin City" was a popular American television sitcom featuring Michael J. Fox as Mike Flaherty, the Deputy Mayor of New York City. During the series' 1996-2002 run, we repeatedly witnessed Michael J. Fox recasting facts, figures, and relationships to manipulate his way out of messy situations. In the idyllic world of the small screen, dilemmas were presented and solved in 30 minutes, with almost all the loose ends tied up. Too bad reality is not so simple!

As this report is being written in mid-August, the description of the state of the economy is dependent upon what is being perceived and what numbers are being manipulated. From one perspective, the recession that began at the end of 2007 is the worst since the end of World War II. The 1973-1975 drop in gross domestic product was not as drastic, and the recovery following the 1957-1958 drop occurred sooner. Yet, productivity rose at a 5.5 percent annualized pace during the second quarter of the year, the biggest jump since 2003. Reexamining the numbers, one will find that productivity did not increase because more stuff was produced—in fact GDP shrunk. What made productivity rise was a 2.9 percent cut in labor costs, as companies squeezed worker input even harder by cutting payrolls and hours. Despite rising unemployment, stagnant wages, and sagging consumer confidence, three-fourths of the companies reported April – June results that beat expectations. Are we pulling ourselves out of a tailspin, with bare shelves requiring companies to hire workers, as the Obama Administration would have one believe, or is the next shoe about to fall? It is a messy situation!

You can get a variety of forecasts based upon how you manipulate the data. On one hand, the Dow Jones Industrial Average experienced its best month in seven years during July 2009, which is the last month covered in this report. Both the Dow Jones Industrial Average and the Standard and Poor's (S&P) 500 were up over seven percent that month. However, local stocks did not keep pace, dropping slightly during the month. Does the summer shopping spree found in general stock markets portend good times ahead? One can keep spinning from good news to bad news and back again. Investors are living in a "spin city," with advocates for a strong recovery asserting that the cash for clunkers program and other stimulus measures are doing their job. Meanwhile, hedge funds have been selling stock in anticipation of a double dip in 2010 according to the Wall Street Journal (8/1/2009, p. B1), resulting in Republicans assailing the Democratic spending.

To gain some insight into the likely future of the local business climate, this report examines the investment prospects of firms in the 7 Rivers Equity Index. The next section of this report examines the changes in the list of local public companies. Investment returns of the 7 Rivers Equity Index are then compared to national stock market performance. Local companies that have done poorly will be singled out for greater attention throughout the remainder of this report. Following the policy adopted when the 7 Rivers Equity Index was created in 2002, the remainder of September's report will focus on the investment merits of local companies. Research tools used in this investigation include the Value Line Investment Survey, Morninstar.com, and my.zacks.com. (For the most recent synopsis of managerial performance within 7 Rivers companies, please refer to the April 2009 edition of *7 Rivers Region: An Economic Update*, pp. 24-34.)

II. The 7 Rivers Equity Index

Two criteria must be met for inclusion in the 7 Rivers Equity Index. One, the firm must be publicly held with share price data available from the financial press or Internet sources. Two, the company's headquarters must be within 100 miles of La Crosse, which includes the 7 Rivers Region. A listing of such companies is generated with the assistance of *Reference*USA, a data service allowing one to screen public corporations by geographic location.

*Reference*USA now offers a radius feature for screening companies on the basis of distance from a chosen location. In prior years, the author used *Reference*USA's "state" feature to identify potential index members and with the assistance of maps and a ruler made the selection. The original process did not take into account where in a city the potential member was located. The new screening tool added two members to the 7 Rivers Index, Energy Composites and Mid-Wisconsin Financial Services. The screening tool also would have excluded Wausau Pulp & Paper, because its measurements put Mosinee 102 miles from La Crosse. Given the closeness of this company, which has been in the 7 Rivers Index from the beginning, Wausau Paper was retained.

Energy Composites Corporation is a Wisconsin Rapids manufacturer of fiberglass-based structures. Energy Composites expects the use of its wind tower rotors, blades, and towers to triple over the next few years. The firm's composite innovations in lift stations and piping are replacing the concrete and steel put into the ground as many as 100 years ago, costing municipalities looking at a $1.5 trillion dollar bill substantially less. Energy Composites Corporation also makes a flue gas desulfurization system to reduce acid rain caused by coal-burning power plants. Energy Composites Corporation went public on November 11, 2008 with the acquisition of Advanced Fiberglass Technologies, a Wisconsin corporation, which is Energy Composites Corporation's primary subsidiary. Its initial price was $4.25.

Mid-Wisconsin Financial Services is a commercial and retail bank located in Medford, Wisconsin that employs 170 employees. It operates out of fourteen branches in central and northern Wisconsin, including Eau Claire and Clark counties. This new member of the 7 Rivers Equity Index was added as a consequence of the new *Reference*USA screening tool. The bank would have been in the 7 Rivers Equity Index from its outset because Mid-Wisconsin Financial Services has been in existence throughout this decade; in fact, the bank was founded in 1890. Prior values of the 7 River Equity Index have been revised to incorporate Mid-Wisconsin Financial Services from December 1999.

There were no bankruptcies or acquisitions within the prior list of thirteen companies. All fifteen companies currently in the 7 Rivers Equity Index are listed in Table 1. As you can see on the bottom of Table 1, eleven companies have dropped out of the 7 Rivers Equity Index because they were acquired by other corporations, went private, or went bankrupt.

Given the dramatic stock market decline of 2008, with a 34 percent decline in the Dow Jones Industrial Average, it is logical to wonder how local firms fared. Furthermore, one may wonder how local firms have done through the first seven months of 2009. Answers to these questions are found in the right two columns of Table 1, where one finds that nine of the fifteen 7 Rivers Equity Index companies declined in 2008. The worst performance was experienced by HMN Financial, the Spring Valley savings and loan that experienced an 83 percent drop in share price. Bucking the downward market trend, National Presto rose 46 percent.

Table 1. 7 Rivers Equity Index

The headquarters of each of these public firms is within 100 miles of La Crosse

State / Company	2008 Price Change	January-July 2009 Price Change
Wisconsin		
Baraboo Bancorporation (BAOB)	-38%	-44%
Baraboo; Retail banking		
Citizens Community Bank (CZWI)	-26%	-10%
Eau Claire; Retail banking		
Energy Composites Corporation (ENCC)	-5%	4%
Wisconsin Rapids; Fiberglass-based manufacturing		
Marten Transportation (MRTN)	36%	-7%
Mondovi; Trucking		
Mid-Wisconsin Financial Services (MWFS)	5%	-41%
Medford; Retail banking		
National Presto (NPK)	46%	4%
Eau Claire; Cookware		
Renaissance Learning (RLRN)	-36%	8%
Wisconsin Rapids; Educational software		
Wausau-Mosinee Paper (WPP)	27%	-15%
Mosinee; Paper products		
Minnesota		
Fastenal (FAST)	-14%	-16%
Winona; Threaded fasteners		

Table 1. 7 Rivers Equity Index - Continued

State / Company	2008 Price Change	January-July 2009 Price Change
Minnesota (continued)		
HMN Financial (HMNF)	-83%	4%
Spring Valley; Savings & loan		
Hormel (HRL)	-23%	16%
Austin; Pork and turkey processing		
Merchants Financial Group(MFGI)	-16%	-5%
Winona; Retail banking		
Rochester Medical (ROCM)	38%	-16%
Stewartville; Urinary treatment products		
Iowa		
Flexsteel Industries (F LXS)	-44%	21%
Dubuque; Home furnishings		
Heartland Financial USA (HTLF)	11%	-18%
Dubuque; Retail banking		

Firms included in the 7 Rivers Equity Index that are no longer publicly held:

Ag Services of America	Bone Care International	Featherlite
First Federal Capital Corporation	La Crosse Footwear	Land's End
Northland Cranberries	Pemstar	Sheldahl
State Bank La Crosse	TenderCare International	

Despite the market surge through July 31 of 2009, an equal proportion (i.e., nine out of fifteen) fell in the first 7 months of 2009 as dropped in 2008! In fact, two local banks, Baraboo Bancorporation and Mid-Wisconsin Financial Services, experienced a price decline of over 40 percent. The best performance was turned in by Flexsteel Industries, where the 21 percent gain partially offset its 44 percent decline in 2008. The only local bank to experience an increase in share price was HMN Financial, though the four percent gain is only a tiny portion of 2008's loss.

Performance of the 7 Rivers Equity Index, an equally-weighted index of regional companies, is presented in the first column of Table 2 and illustrated in Figure 1. The index is based on share prices, excluding dividends, which are obtained from *Yahoo! Finance*. The values listed in Table 2 represent the value of $100 invested in local shares on 12/31/1999. For instance, in 2000 the value of the 7 Rivers Equity Index dropped 8.8 percent to 91.2, meaning a $100 investment would have lost $8.80. Over the first eight years, through December 2007, the 7 Rivers Index rose 45.8 percent, to 145.8. Meanwhile, $100 invested in the Dow Jones Industrial Average would have been worth only $115.40, a $15.40 increase over seven years. Worse yet, investors in the S&P 500 companies would have experienced a 10 cent loss, seeing the value of their $100 drop to $99.90!

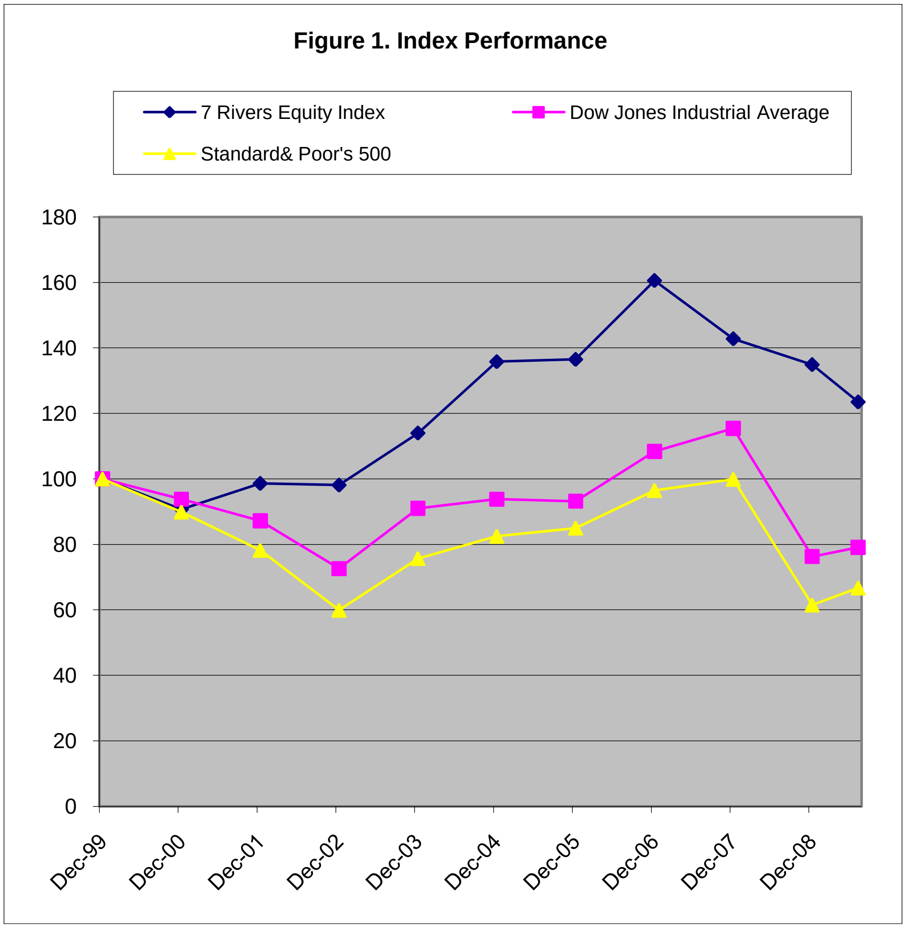
The performance of the 7 Rivers Equity Index was extremely good in 2008; good, that is, in comparative terms. While the Dow Jones Industrial Average dropped 33.9 percent, and the S&P 500 was off a larger 38.4 percent, local shares only fell 8.6 percent. Looking back at Table 1, one will see that four local companies earned over 25 percent, minimizing the decline of the 7 Rivers Equity Index.

Table 2. Comparative Index Performance

Since 12/31/1999 Index Value of 100
(Year-to-Year Change in Parentheses)
[12/208-to-Month Change in Brackets]

	7 Rivers Equity Index		Dow Jones Industrial Average		Standard & Poor's 500	
12/1999	100.0	(n/a)	100.0	(n/a)	100.0	(n/a)
12/2000	91.2	(-8.8%)	93.8	(-6.2%)	89.9	(-10.1%)
12/2001	99.3	(+8.7%)	87.2	(-7.0%)	78.2	(-13.0%)
12/2002	99.2	(-0.1%)	72.6	(-16.7%)	59.9	(-23.4%)
12/2003	115.4	(16.3%)	91.0	(25.3%)	75.7	(+26.4%)
12/2004	136.7	(18.4%)	93.8	(3.1%)	82.5	(+9.0%)
12/2005	137.9	(0.9%)	93.2	(-0.8%)	85.0	(+3.0%)
12/2006	158.7	(15.1%)	108.4	(16.3%)	96.5	(+13.5%)
12/2007	145.8	(-8.1%)	115.4	(6.5%)	99.9	(+3.3%)
12/2008	133.3	(-8.6%)	76.3	(-33.9%)	61.5	(-38.4%)
January 2009	119.0	[-10.8%]	69.6	[-8.8%]	56.2	[-8.6%]
February 2009	112.9	[-15.3%]	61.4	[-19.5%]	50.0	[-18.6%]
March 2009	113.0	[-15.2%]	66.1	[-13.3%]	54.3	[-11.7%]
April 2009	121.6	[-8.8%]	71.0	[-6.9%]	59.4	[-3.3%]
May 2009	125.8	[-5.6%]	73.9	[-3.1%]	62.6	[1.7%]
June 2009	123.8	[-7.1%]	73.4	[-3.7%]	62.6	[1.9%]
July 2009	123.5	[-7.4%]	79.1	[3.6%]	66.7	[8.4%]

By contrast, the performance of the 7 Rivers Equity Index has been relatively poor in 2009, dropping 7.4 percent, while the Dow and S&P 500 are up 3.6 percent and 8.4 percent, respectively, during the first seven months. If there is one silver lining, it is that all three indexes are higher than they were during the first quarter of the year. However, while the Dow is up 28.8 percent and the S&P 500 is up 33.4 percent from its February low, the 7 Rivers Equity Index is up only 9.4 percent. Local companies, and by extrapolation, the local economy has been less sensitive to general economic conditions in both the recession and recovery.



III. Local Common Stock Characteristics

Risk and Return Insights from Value Line

As shown above, local shares have recently performed markedly worse than the two aggregate measures of stock market performance. Investors may be wondering whether this atypical performance is going to continue. To gain insight to this issue, information was obtained from Value Line Incorporated, Morningstar, and Zacks Investment Research. These firms are in the business of selling financial data. Hence, their focus is on producing accurate reports that are not necessarily biased towards the purchase of certain stocks. All information presented here is freely available at their web sites.

Value Line publishes more than a dozen print and electronic products, but is best known for *The Value Line Investment Survey*. The survey is a comprehensive source of information and advice, with one-page of *Ratings and Reports* devoted to each of 1700 large companies, plus a two-page discussion of 98 industries. The slightly larger *Small- and Mid-Cap Edition* provides almost as much information about 1800 more firms. A complete set of publications is available at both the La Crosse Public Library and UW-La Crosse's Murphy Library.

Several measures of stock price performance are provided. Table 3 exhibits individual firm rankings and measures for the ten 7 Rivers firms covered by Value Line. Value Line measures have been examined since 2004, allowing for the analysis of current firm rankings relative to the average of the past five years. The following paragraphs describe each measure and how some of the 7 Rivers firms size up on that metric.

Timeliness Ranking is Value Line's rating of a stock's probable performance over the next 6 to 12 months. Stocks ranked 1 (the highest) and 2 (above average) are likely to outperform the market, while those ranked 4 (below average) and 5 (the lowest) are expected to underperform the market. There are only 200 companies in the extreme categories of Timeliness, Safety, and Technical Ranking, 100 in Rank 1 and 100 in Rank 5. As shown in the first row of Table 3, National Presto has a ranking of 1, the best. The arrow next to the "1" indicates that this ranking is higher than it was a year ago.

Heartland Financial has a Timeliness ranking of 5. The downward pointing arrow indicates that Heartland Financial's Timeliness ranking is below where it was a year ago. Stated another way, these two firms are in a grouping of only 100 firms that Value Line believes will do very well or extremely poorly. The 2009 average ranking, which is exhibited in the second column from the right, is slightly lower than the 2004-2008 average and equals the average of 3.0 for the Value Line universe.

Safety Ranking is Value Line's measure of the potential risk associated with an individual stock's financial strength (e.g., financial leverage) and price stability (e.g., stock price variance). Safety rankings range from 1 (most secure) to 5 (most risky). As shown on the second row of Table 3, Hormel is considered one of the 100 most secure choices, while none of the 7 Rivers firms have a safety rating below 3. The downward-pointing arrow found in the Heartland Financial column for this year's ranking represents a decline from last year's Safety rank of "2." The 2.8 average Safety Ranking is below the 2004-2008 average, but slightly exceeds the 3.0 for all firms in the Value Line universe.

Technical Ranking is Value Line's predictor of a stock's short-term (three to six months) relative price change. Technical rankings are based on ten relative price trends for a particular stock over different periods in the past year. As shown in the third row of Table 3, HMN Financial and Renaissance Learning have an above average technical ranking. The positive arrow next to the Renaissance Learning value reflects the fact that its technical rating is higher than it was a year ago. Three companies--Heartland Financial, Marten Transportation, and National Presto--have below average technical ratings. A downward arrow is placed behind the Marten Transportation value of "4," because this represents a drop from "1" a year ago. The average technical ranking is 3.1, which is lower than the 2004-2008 average and the overall Value Line average of 3.0.

Institution Buy/Sale Ratios allow one to gauge the sentiment of professional money managers. The 1.0 value for Heartland Financial and Renaissance Learning indicates that institutional investor purchases equaled sales over the past quarter. At the high end, institutional investor purchases were fifty percent higher than sales at Marten Transportation, which also enjoyed the greatest increase in institutional purchasing. By contrast, institutional purchases were only eighty percent of sales at Flexsteel. The greatest decrease in institutional interest occurred at Heartland Financial, which experienced a drop in purchase from 170 percent of sales to 100 percent of sales. Overall, the number of institutional purchases versus sales is down slightly in 2009 but equals the average observed over the 2004-2008 period.

Table 3. Common Stock Characteristics for 7 Rivers Equity Index Members

Data Provided by Value Line Investment Survey[a]

Arrows reflect direction of change for the company with the greatest amount of change for a specified Value Line-reported characteristic[b]

	Fastenal	Flexsteel	Heartland Financial	HMN Financial	Hormel	Marten Transportation	National Presto	Renaissance Learning	Rochester Medical	Wausau-Mosinee Paper	**2009Average**	**2004 – 20008Average**
Timeliness Ranking	3	3	5↓	3	2	4	1↑	3	3	3	3.0↓	2.9
Safety Ranking	3	3	3↓	3	1	3	3	3	3	3	2.8 ↓	2.6
Technical Ranking	3	3	4	2	3	4↓	4	2↑	3	3	3.1 ↓	2.8
Institution Buy/Sale Ratio	1.1	0.8	1.0↓	0.4	1.1	1.5↑	1.4	1.0	1.8	0.9	1.1 ↓	1.1
Price Stability	70	80	60	35↓	100	45↑	75	35	40	45	58 ↓	61
Price Growth Persistence	95	20	30↑	50↓	80	80	80	10	65	20	53 ↑	49
Beta	1.1	0.4	1.0	0.9↓	0.6	1.0	1.0	1.2	0.6↑	1.3	0.9 ↑	0.8
Dividend Yield (%)	2.2↑	2.6	2.5	0.0	2.3	0.0	7.1	2.9	0.0	0.0↓	2.1 ↓	2.0

3- to 5-Year Projected Returns												
Maximum	25	na	na	na	23	na	23↓	29	Na	33↑	22 ↓	24
Minimum	14	na	na	na	16	na	13↓	16	Na	22↑	16 ↑	12

[a] Value Line does not cover the other firms in the 7 Rivers Index. Specific 3- to 5-year projected returns are only provided for the 1700 largest firms.

[b] In cases of a tie, the arrow was given to the value that is most extreme. The absence of an arrow in a given direction, such as an up arrow in the Safety row above, indicates that none of the firms had a change in this direction for the specified Value Line-reported characteristic.

Price Stability, given in fifth row of Table 3, is based on a ranking of the standard deviation of weekly price changes over the past five years. Value Line reports price stability on a scale from 100 (highest) to 5 (lowest) in increments of 5. While Hormel has the highest price stability rating among 7 Rivers firms, and firms in general, the greatest increase in price stability was experienced by Marten Transportation. The most volatile stocks are HMN Financial and Renaissance Learning, with a price stability rating of only 35. The greatest increase in price instability occurred in the pricing of HMN Financial, which is not a surprise given the 83 percent loss experienced in 2008 and reported in Table 1. Overall, prices were slightly less stable in 2009 than they were during the prior five years, though they matched the 2004-2008 average. Price stability over time is not necessarily a surprise because five years are used in creating a measure of price stability.

Price Growth Persistence, exhibited in the sixth row of Table 3, is Value Line's proprietary measure of the tendency of share prices to rise in comparison to other stocks. It also is measured on a scale from 100 to 5, in increments of 5. With a rating of 95, Fastenal has the highest level of persistent stock price growth. Though high, Fastenal's 95 is a decline from the "100" price growth persistence reported a year ago. Obviously the 14 percent drop in 2008, followed up by a 16 percent drop over the first seven months of 2009, is being reflected in this decline. Three other local companies have price growth persistence ratings of at least 80.

A year ago there was a significant difference in Value Line's estimate of the price growth persistence for Heartland Financial and HMN Financial. This difference has been cut in half; however, HMN Financial still has a higher price growth persistence rating. The 2009 average growth price persistence is higher than it was last year and over the average of the prior five years.

Beta measures, exhibited in the seventh row of Table 3, are reported by Value Line with a regression towards the mean using a proprietary model. That is, Value Line does not expect firms that exhibit a large reaction to general market performance to have the same abnormal level of sensitivity the following year. Not surprisingly, industrial concerns Fastenal and Wausau Paper are among the most sensitive to market conditions. Meanwhile, Flexsteel (the maker of upholstered furniture for use in homes, businesses, and recreational vehicles) has the lowest sensitivity to market conditions. As one would expect given that potential clients are delaying surgeries, and the related expenses, as the economy worsened, Rochester Medical's sensitivity to systemic risk rose. The beta of local companies is ten percent lower than 1.0, the beta of firms overall, but it has risen recently and is above its historical levels. The greater systematic risk may have reduced investor interest in local firms.

Dividend yield, which is exhibited in the eighth row of Table 3, is the ratio of the dividend payments over the next twelve months, as reported by Value Line, divided by the current price. Several 7 Rivers companies pay dividends at a rate exceeding what local investors would receive on savings accounts, with National Presto leading the way at 7.1 percent. Fastenal's 2.2 percent dividend yield, which represents a doubling from 2008, arises from the dividend rising from $0.27 to $0.37 while the stock price fell from $49 to $37.

Easily the most important piece of information is the elimination of the dividend at HMN Financial and Wausau Paper. Just a year ago, the dividend yield at Wausau Paper was 4.3 percent. Hence, even though stock prices dropped over the past year, which would tend to increase dividend yields, the average dividend yield of local companies dropped over the past year.

Price projections, given in the last two rows of Table 3, are Value Line's estimate of the annual, compound total rate of return for the largest firms in the 7 Rivers Equity Index. Yields are based on appreciation from the current price to both the high and low ends of the anticipated price range in three to five years. Because the data being used was published in mid-2009, the forecast is for the period from July 2012 to June 2014. Unfortunately, Value Line makes these predictions only for a select group of typically larger firms. While Wausau Paper's share price might grow at a 33 percent annual rate, the high end of the price projection at Hormel and National Presto is 23 percent. This represents improved expectations for Wausau Paper, consistent expectations for Hormel, and reduced expectations for National Presto. Value Line also thinks that, at worst, Wausau Paper will provide a capital gain of twenty-two percent, which more than doubles last year's 10 percent forecast. National Presto's price, at worst, is expected to increase by 13 percent, which is about half of last year's 21 percent forecast. The current average maximum growth rate is down from what was during the 2004-2008 period. However, the current estimated minimum growth rate is higher than before.

Valuation Insights from Morningstar

Morningstar is an investment research firm providing commentary, portfolio management tools, and detailed reports on stocks and mutual funds. One advantage of Morningstar's investigation is that although Value Line's financial analysts might not review small firms, all public firms have a share price and are likely to have earnings, sales, cash flows and a book value. Data used here was accessed at www.morninstar.com. This year's report expands upon the prior study of the pricing of securities in three ways. One, current price valuation ratios are contrasted to the prior 5-year average in addition to industry averages. Two, price/book ratios are investigated. Three, to increase table legibility, these "price relative" ratios are split into two tables. Table 4 looks at share prices relative to two pieces of data found on income statements, sales and earning. Table 5 examines current prices relative to book value and cash flow per share.

Price/Earnings Ratios

Price/Earnings ratios divide a stock's current price by the company's trailing 12-month earnings per share. In general, higher price/earnings ratios indicate a greater level of investor confidence that the firm will provide earnings growth in the future. Current company price/earnings ratios, shown in the first column of Table 4, are negative when the company reported a loss over the most recent 12-months. Four of the companies had a negative price/earnings ratio. However, large negative price/earnings ratios are not necessarily bad. For instance, Wausau Papers' share price is forty-five times the loss, suggesting the loss is relatively small. The largest price/earnings ratio was recorded by Rochester Medical, where its price is a whopping 153.8 times larger than its meager earnings. Investors are willing to pay a lot of money for the earnings being generated. The largest price earnings ratio decline was experienced by Renaissance Learning, as designated with the downward pointing arrow.

Table 4. Income Statement Insights

Current Share Valuation Based on Earnings and Sales

Arrows reflect direction of change for the company with the largest 12-month change for the price/earnings and price/sales ratios as reported by Morningstar on August 11, 2009[a]

7 Rivers Firms	Price/Earnings Current	Price/Earnings Current / Industry Average	Price/Earnings Current / 5- Year Average[b]	Price/Sales Current	Price/Sales Current / Industry Average	Price/Sales Current / 5-Year Average[b]
Baraboo Bancorp	4.5	na	0.31	1.2	0.46	0.32
Citizens Community	27.3	na	na	2.1	0.84	0.84
Energy Composites	-28.9	na	na	14.3	3.86	na
Fastenal	24.7	1.42	0.86	2.6	2.89	0.81
Flexsteel	-27.5	na	na	0.2	0.33	1.00
HMN Financial	-0.7	na	na	↓ 0.4	0.15	0.17
Heartland Financial	23.9	0.86	1.26	1.7	0.68	0.63
Hormel Foods	18.5	0.52	1.04	0.8	2.67	1.00
Marten Transport	19.8	na	1.04	0.7	1.40	0.88
Mid-WI Financial	16.9	na	0.64	0.9	0.35	0.35
National Presto	11.6	0.62	0.81	1.2	3.00	0.86
Renaissance Learning	↓ -8.5	na	na	2.5	1.00	0.60
Rochester Medical	↑153.8	2.89	na	↑ 4.7	1.74	1.04
Wausau Paper	-45.0	na	na	0.4	0.50	0.67
Median	14.2	0.86	0.86	1.2	0.92	0.81
S&P 500	16.7	na	0.87[b]	1.1	na	0.41[b]

[a] Merchants Financial Group is not covered by Morningstar.
[b] 5-year averages are for the 2004-2008 period. S&P 500 data was gathered during the first ten trading days of August each year.

The median price/earnings ratio is less than that of the S&P 500, suggesting that investors are willing to pay less per dollar of earnings being generated by local firms. Analysts frequently view this as a sign that investors have less confidence in local firms growing and providing capital gains. Perhaps more distressing is that fact that local firms have a median price/earnings ratio that is only 86 percent of the industry average. Hormel's price/earnings ratio is only 52 percent of its meat processor/producer industry's average. As one would expect, Rochester Medical's price-earnings ratio was much higher than its industry average, being 289 percent higher.

Given the decline in share price, especially in light of continued corporate earnings as discussed in the opening section of this report, it is not surprising that the median current price/earnings ratio is only a fraction (i.e., 86 percent) of its 5-year average. This value is very close to the 87 percent for the S&P 500 overall. Although Baraboo Bancorp has a positive 4.5 price/earnings ratio, its current level is only 31 percent of its average over the 2004-2008 period.

Price/Sales Ratios

Price/Sales ratios, exhibited in the right side panel of Table 4, divide a company's current price by sales per share over the past twelve months. Price/sales ratios are commonly considered in conjunction with price/earnings ratios because even companies with negative earnings produce sales. Generally, confident investors will pay more per dollar of sales, implying that they anticipate sales growth. Price/sales ratios varied from 14.3 at Energy Composites to 0.2 at Flexsteel. However, the largest percentage increase and decrease were recorded by Rochester Medical and HMN Financial, respectively. The median local price/earnings ratio is close to the S&P 500 average.

Relative to the industry average, in the center price/sales column of numbers, the ratio for Energy Composites is almost four times larger. At the other extreme, the ratio for HMN Financial is only fifteen percent of what you find in the industry. One company, Renaissance Learning has a ratio of 1.0, meaning its price/sales ratio is exactly the same as its industry. Overall, local companies are trailing their industry, with price/sales ratios that are 92 percent of the benchmark.

The current S&P 500 price/sales ratio of 1.1 is only 41 percent of the average over the 2004-2008 period, as indicated by the last number in Table 4. Price/sales ratios of local companies are almost twice as high at 81 percent. Hence, although local companies are underperforming their index benchmark, their price/sales ratio is relative good when compared to the largest 500 companies in the United States. Only one local company, Rochester Medical, currently has a higher price/sales ratio than its 2004-2008 average. Interestingly, all three companies with current price/sales ratios that are less than forty percent of their average are banks.

Price/Book Ratios

Price/Book value ratios, exhibited in the first set of columns of Table 5, indicate what investors are willing to pay for a company versus the amount that was invested at the initial public offering, through seasoned new issues, and retained earnings. Price/book value ratios are computed by dividing the current price by shareholders equity per share. Unlike the ratios presented in Table 4, shareholders equity is built up over time, providing an indication of investor sentiment relative to company success since inception. Like investment statement-based ratios, high price/book ratios indicate investor confidence in a company.

In Table 5, the second column reflects the company average relative to the industry average, while the third column in each set compares the firm ratio to its five year average. A value less than 1.0 indicates a lower ratio, while a ratio above 1.0 indicates a higher ratio than the industry or past five years.

Table 5. Balance Sheet Insights

Current Share Valuation Based on Book Value and Cash Flow

Data was obtained from Morningtar on August 11, 2009[a]

	Price/Book Value			**Price/Cash Flow**		
7 Rivers Firms	Current	Current / Industry Average	Current / 5-Year Average[b]	Current	Current / Industry Average	Current / 5-Year Average[b]
Baraboo Bancorp	0.5	0.50	0.30	Na	na	Na
Citizens Community	0.5	0.50	0.60	11.8	1.40	Na
Energy Composites	33.3	25.62	na	-47.8	na	Na
Fastenal	4.7	2.04	0.76	18.0	2.25	4.39
Flexsteel	0.5	0.42	0.62	5.30	0.79	Na
HMN Financial	0.2	0.50	0.17	0.60	na	Na
Heartland Financial	1.1	0.92	0.61	5.8	0.36	Na
Hormel Foods	2.4	2.18	0.86	12.60	0.57	3.32
Marten Transport	1.5	0.65	0.88	4.3	0.65	Na
Mid-WI Financial	0.5	0.50	0.38	5.3	0.62	0.48
National Presto	2.0	1.17	1.43	9.0	0.94	Na
Renaissance Learning	na	na	na	10.5	0.51	0.45
Rochester Medical	2.3	0.77	0.92	41.80	2.12	1.79
Wausau Paper	2.3	0.68	1.00	48.3	4.56	Na
Median	1.5	0.68	0.69	9.0	0.79	1.79
S&P 500	2.1	na	0.87[b]	6.3	na	0.45[b]

[a] Merchants Financial Group is not covered by Morningstar.
[b] 5-year averages are for the 2004-2008 period. S&P 500 data was gathered during the first ten trading days of August each year.

Examining the second column of Table 5, you can see that the median book value ratio of local companies is much less than the S&P 500 average. In fact, the median is only 71 percent of the national benchmark. Indicating a relatively low level of anticipated performance relative to investment, only four companies, Energy Composites, Fastenal, Hormel, and National Presto, have a price/book ratio that exceeds its industry average. The comparison of current price/book ratios to the 2004-2008 average presents an even bleaker picture, with only National Presto beating its historical average. The median is only 69 percent of the historical average, which is a much greater decline than seen in the S&P 500 benchmark of 87 percent.

Price/Cash Flow Ratios

Price/cash flow ratios, presented in the right columns of Table 5, divide a company's current price by cash flow per share over the trailing 12 months. Price/cash flow ratios show the ability of a business to generate cash and can be an effective gauge of liquidity and solvency. As with the other price relative ratios, a large value is usually considered indicative of anticipated good performance.

The price/cash flow values generally foreshadow strong performance by local companies. In fact, both Rochester Medical and Wausau Paper have price/cash flow values exceeding 40.0. Also be aware that the large negative value for Energy Composites results from a relatively small decline in cash accounts, which is not necessarily a terrible result. The 7 Rivers firms' median price/earnings ratios are almost fifty percent larger than the S&P 500 benchmark.

However, when analyzed from the perspective of industry average, local company price/cash flow values are not very good. Less than half of the local firms have price/cash flow values exceeding their industry average. While Wausau Paper's ratio is over four times better than the industry overall on this measure, Heartland Financial's ratio is only a third of its industry average.

There are relatively few instances wherein there are five years of positive price/cash flow data, making the comparison of current price/cash flow numbers less insightful. However, the final set of numbers in Table 5 indicate that reporting local firms have higher price/cash flow numbers while the S&P 500-based benchmark of price/cash flow is only about half of what it was in the past five years.

Average Broker Recommendations from Zacks Investment Research

The paragraphs above present a significant amount of information regarding anticipated return, risk, and current valuations. Nonetheless, investors still have to decide whether or not to buy a specific company. In order to gain insight to this process, average broker recommendations (ABRs) were obtained from Zacks Investment Research, which uses the flowing five-step scheme to rate companies:

1: Buy, 2: Outperformance expected, 3: Hold, 4: Underperformance expected, 5: Sell

ABRs, the number of analysts giving a recommendation, perceived pricing errors, industry rank, and company rank within their primary industry are exhibited in Table 6. Hormel Foods has the highest recommendation at 2.1, which also represents the largest percentage increase from 2008's report. However, the number of analysts dropped to 7, the largest percentage decrease. Three companies share a recommendation of "3," or hold, though only in Wausau Paper is this based on multiple analyst ratings. Given the similarity of these numbers, more insight probably arises from the direction of ABR change. Specifically, Wausau Paper's ABR rating fell to 3.0. The current average ABR is less than the 2006-2008 average.

Table 6. Average Brokerage Recommendation (ABR)

Data Provided by My.Zacks.com[a]

Arrows reflect direct of change for the company with the largest percentage change for a specified Zacks-reported characteristic

Preferred Numbers (Range)
Low ABR (1 – 5)
High Number of ratings (0 - ∞)
High Estimated value/Current Value (0.01 - ∞)
High Industry Rank and Percentile rank in Industry (1 – 100)

	ABR	Number of Ratings	Estimated Value / Current Price	Industry Percentile Rank	Percentile Rank in Industry
Citizens Bank	na	0	na	17	17
Fastenal	2.8	8	0.91	35	29
Flexsteel	na	0	na	28	32
HMN Financial	na	0	na	17	54 ↓
Hormel	2.1 ↑	7 ↓	0.94	31 ↓	50 ↑
Heartland Financial	2.5	4	0.98	12	89
Marten Transport	2.4	5	1.21 ↑	40	62
National Presto	na	0	na	78 ↑	25
Rochester Medical	3.0	1	1.01	75	11
Renaissance Learning	3.0	1	na	74	14
Wausau Paper	3.0 ↓	3 ↑	0.78 ↓	91	42
2009Average	2.7	4.1	0.97	42	44
2006-2008 Average	2.3	4.9	1.26	46	55

[a]My.Zacks.com does not include analysis of Baraboo Bancorporation, Energy Composites, Mid-Wisconsin Financial Services, or Merchants Financial Group.

An important insight provided by Zacks is a ratio of the firm's estimated value relative to its current value. The estimated value of Wausau Paper is only 78 percent of its current price. At the other extreme Marten Transport is now considered to be worth twenty-one percent more than its most recent share price. These firms had the greatest positive (Marten Transportation) and negative (Wausau Paper) change during the past year. Across the reporting companies, the ratio of estimated value to current price is close to

1.0, which would suggest local firms are fairly valued. This ratio is down significantly from 1.26, or the 26 percent undervalued estimate, average of the past three years.

Zacks also ranks industries and firms within industries on the basis of expected price performance over the coming year. Compared to other information supplied by Zacks, this number paints an improved picture of local firms. Analyst opinion of local firms has improved slightly when considered in comparison to their industry (rising from the 46th to 42nd percentile on average) and the industry to all industries (rising from the 55th to 44th percentile).

One can observe the importance of a firm's industry and position within an industry by studying Heartland Financial. Its retail banking industry is in the top twelve percent of the 217 industries considered by Zacks. However, Heartland Financial's ranking in the industry itself is 89th, or eleven percent from the bottom! It is no wonder so much bad information was found about Heartland Financial and reported above. The best percentage change occurred for Hormel's Meat Processing industry, which experienced the best percentage change, whereas its ranking within the industry fell to the middle, 50th percentile.

IV. Conclusion

Almost everyone has experienced the sensation of a tailspin, losing control while driving and feeling that the back of one's car is starting to catch up with the front. For a decade, investors have been stuck on icy roads, with good patches but then once again seeing prices they thought they had left behind. On a national level, we appear to have come out of our most recent market tailspin. However, with a range of less than strong return and risk rankings, price relatives, and broker recommendations, it appears as though it will take longer than normal for the local companies to keep from spinning their wheels.